

DEPARTMENT ORDER ⁵⁹ - 2011
SEPTEMBER 16, 2011

TO : ALL INSURANCE COMPANIES

SUBJECT : MINIMUM PAID-UP CAPITAL AND OTHER REQUIREMENTS FOR COMPANIES SEEKING REHABILITATION

WHEREAS, under Department Order Nos. 19-06 and 27-06, the minimum capitalization requirements of companies for rehabilitation were equated with those for new entrants - the requirements for which are substantially higher than the already existing companies;

WHEREAS, companies under conservatorship/rehabilitation should not be placed in equal footing with the new entrants;

WHEREAS, given the minimum capital requirements presently imposed on companies seeking rehabilitation, there is hesitation on the part of the Insurance Commission to declare a company for conservatorship for fear that the stockholders of an ailing insurance company, instead of pursuing rehabilitation, would opt to just proceed with liquidation and later establish a new company, to the prejudice of the claimants;

WHEREAS, there is a need to convey to the insurance industry that the aim of conservatorship is the rehabilitation and restoration of the insurance company's viability in accordance with Section 248 of the Insurance Code and not liquidation and dissolution;

WHEREAS, it is in the nature of a rehabilitation proceeding to grant special consideration and assistance to ailing companies in order to hasten their speedy recovery for the benefit of all parties concerned;

WHEREAS, in order to hasten the capability of the Insurance Commission to assist in and effectively regulate the rehabilitation proceedings, it should be given enough flexibility in determining the capital needed in the gradual recovery of a company declared under conservatorship;

WHEREAS, the successful rehabilitation and full recovery of an insurance company would help in the full or higher/better settlement of claims, and would promote the insurance industry image of resiliency;



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WHEREAS, such rehabilitation would somehow help the economy by providing more jobs and income opportunities;

NOW, THEREFORE, pursuant to authority vested in me by the provisions of Section 188 of the Insurance Code, as amended, the following are hereby promulgated:

- I. All companies under conservatorship that will qualify for rehabilitation after evaluation by the Insurance Commission shall be required a minimum capitalization similar to the capitalization required of the existing companies; hence, shall not be considered as new companies for minimum capitalization purposes.
- II. The infusion of the said capitalization may be made gradually on reasonable and feasible terms to be determined by the Insurance Commission. The latter shall apply an extra-ordinary closer supervision of the company until the capital and operational requirements are fully achieved and it is satisfied that the company can continue to operate safely on its own to deserve a lesser/minimum regulatory intervention. The rate of gradual reduction of regulatory intervention shall depend on the rate of compliance with the said capital and operational requirements. Until the full capital requirement is infused, the Insurance Commission may restrict the operation of the company concerned (e. g., limited lines, limited amount of risk, limited freedom of underwriting decision). In no case shall the future minimum capital requirement of a fully revived company be lower than that required of the existing/duly licensed insurance companies.
- III. All companies under conservatorship as of this date shall have until December 31, 2012 to submit their intent to rehabilitate to the Insurance Commission, which shall fix the timeline for companies subsequently declared under conservatorship.
- IV. An application for rehabilitation does not mean automatic approval by the Insurance Commission; for this purpose, the IC shall promulgate an Insurance Circular to delineate the requirements for gradual rehabilitation.
- V. The following companies presently under liquidation shall not be allowed to apply for rehabilitation:
 1. Development Insurance & Surety Corp;
 2. Cathay Insurance Company, Inc.;
 3. Mega Pacific Insurance Corp.;
 4. The Capital Insurance & Surety Co., Inc.;
 5. Wellington Insurance Co., Inc.;
 6. Times Surety & Insurance Co., Inc.;
 7. The Imperial Insurance, Inc.;
 8. TICO Insurance Co., Inc.;
 9. AFISCO Insurance Corp.;



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10. General Insurance & Surety Corp.;
11. Zenith Insurance Corporation;
12. Mantrust General Insurance Corporation;
13. Filipino Merchants' Insurance Company, Inc.;
14. Rico General Insurance Corporation;
15. Nicphil Insurance, Inc.;
16. Luzon Insurance & Surety Co., Inc.; and
17. First Quezon City Insurance Co., Inc.

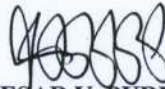
Hence, the liquidation and distribution of the assets of these companies shall be completed within one (1) year from the date of the approval of this Department Order.

- VI. The IC, after performing due diligence evaluation in accordance with its guidelines, policies and procedures, shall submit to the DOF for its approval the companies recommended for rehabilitation.

The Insurance Commission may issue such other guidelines as it deems necessary to enforce the provisions of this Order. Non-compliance with this Order and additional guidelines shall result to the disapproval of any application for rehabilitation.

This supersedes paragraph VIII of Department Order 27-006 dated September 1, 2006, paragraphs III and IV of Department Order 19-06 dated May 15, 2006, and other issuances inconsistent herewith.

This Department Order shall take effect immediately.

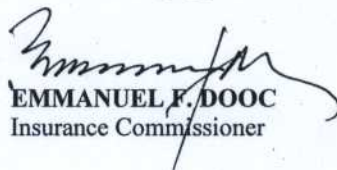


CESAR V. PURISIMA
Secretary
Department of Finance

003137

Recommending approval:

Date: _____



EMMANUEL F. DOOC
Insurance Commissioner