Circular Letter No. 7-2004

To : All Life & Non-life Insurance Companies and Professional Reinsurers

Subject : Paid-up Capital & Solvency Margin Requirements

In response to the queries received concerning the effects of increases in paid-up capital relative to the provisions of Section 194 & Section 247 of the Insurance Code, the following rules and definitions shall apply:

1) Insurance companies are required to keep their paid-up capital intact or unimpaired at all times. The paid-up capital is considered intact or unimpaired if the total net assets or stockholders’ equity is at least equal to the paid-up capital of the company.

2) For purposes of determining the surplus available for the margin of solvency compliance, the paid-up capital shall be taken to be equal to the minimum paid-up capital required of the company corresponding to the category in which it belongs as summarized below:

- Direct writing companies already existing before March 1992 - P50 million
- Professional reinsurers already existing before March 1992 - P75 million
- Insurance companies organized under Department Order Nos. 27-92 & 100-94
  - Companies with 60% or more Filipino equity - P75 million
  - Companies with less than 60% but more than 40% Filipino equity - P150 million
  - Companies with 40% or less Filipino equity - P250 million

This circular shall take effect immediately.

EDUARDO F. MALINIS
Officer-In-Charge

March 29, 2004