



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



Circular Letter (CL) No.:	2018-46
Date:	12 September 2018
Supplements:	CL 2016-68

## CIRCULAR LETTER

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

**SUBJECT : RISK-BASED CAPITAL REQUIREMENTS ON INVESTMENTS IN ASSOCIATES AND/OR SUBSIDIARIES UNDER THE REGULATION OF THE BANGKO SENTRAL NG PILIPINAS (BSP)**

**WHEREAS**, the Insurance Commission (IC) issued Circular Letter (CL) Nos. 2016-65 and 2016-68, both dated 28 December 2016, to implement the Financial Reporting Framework (FRF) and Amended Risk-Based Capital (RBC2) Framework, respectively in order to assess the net worth and RBC compliances of insurance and reinsurance companies;

**WHEREAS**, insurance and reinsurance companies have investments in other entities approved by the IC and are held by the respective companies for the purpose of maintaining ownership, significant influence and control to the specific entity in the long term;

**WHEREAS**, in implementing the FRF and RBC2, these investments should be appropriately classified to determine their admissibility and the applicable risk charges;

**WHEREAS**, these investments are considered admitted in determining net worth and classified as investments in either associates or subsidiaries;

**WHEREAS**, the risk charges applicable on these investments are **0% and 60%** (at 99.5% confidence level) for associates or subsidiaries which are IC regulated entities and/or non-IC regulated entities respectively;

**WHEREAS**, the IC recognizes that investments in some of these non-insurance related or non-regulated entities are subjected to other capital adequacy requirements such as those implemented by the Bangko Sentral ng Pilipinas (BSP);