



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

Circular Letter No.:	2021-72
Date:	27 December 2021
Amends:	None

CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES

SUBJECT : DEPOSIT OF SECURITIES FOR COMPANIES CURRENTLY IN THE PROCESS OF COMPLYING WITH SECTION 209 OF THE AMENDED INSURANCE CODE

WHEREAS, the increase in the minimum net worth requirements from 2016 to 2019 required insurance companies to also increase their security deposit in accordance with Sections 198 and 209 of the Amended Insurance Code.

WHEREAS, pursuant to Section 209 of the Amended Insurance Code, and referring to the security deposit, every domestic insurance company shall, to the extent of an amount equal in value to twenty-five percent (25%) of the minimum net worth required under Section 194, invest its funds only in securities, satisfactory to the Commissioner, consisting of bonds or other instruments of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned or -controlled corporations and entities, including the Bangko Sentral ng Pilipinas;

WHEREAS, foreign insurance companies and branches are also required to maintain security deposits pursuant to Section 198 of the Amended Insurance Code.

WHEREAS, in the same Codal Provision, it cited the purpose and movements of the security deposit where it stated that "Provided, That the Commissioner may **as long as the company is solvent**, permit the company to collect the interest or dividends on the securities so deposited, and, from time to time, **with his assent, to withdraw any of such securities**, upon depositing with said Commissioner **other like securities**, the market value of which shall be equal to the market value of such as may be withdrawn. In the event of any company ceasing to do business in the Philippines, the securities deposited as aforesaid shall be returned to the company upon the Commissioner's written approval and only after the company has duly proven in its application therefor that it has no further liability whatsoever under any of its policies nor to any of its creditors in the Philippines.";

WHEREAS, due to the ongoing pandemic and the continuing adverse effects of the Enhance Community Quarantine (ECQ) throughout the country, as well as the continuing uncertainties due to the Covid-variants, the financial performance and

liquidity of some insurance companies will continue to be adversely affected requiring a certain level of cushion;

WHEREAS, insurance companies have to adopt all options available not only to continue its operation but to have profits that are at least sufficient to cover its claims and expenses;

WHEREAS, a security deposit is one type of a guarantee fund that shall be used to pay all its outstanding obligation in the event that an insurance company cease doing business in the Philippines;

WHEREAS, currently, there are insurance companies that are in the process of complying with the amount and form of the deposit requirements;

WHEREAS, the Deputy Commissioners for the Financial Examination Group and the Legal Services Group have jointly, in a Memorandum dated August 6, 2021, recommended a period of one-year within which an insurance company may complete its compliance with the deposit requirements. This was reiterated by the Deputy Commissioner for Financial Examination Group in a Memorandum dated October 11, 2021.

NOW, THEREFORE, in view of all the foregoing and in accordance with the undersigned's powers under Section 437 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, the following are promulgated as follows:

SECTION 1. DEPOSIT OF SECURITIES

Every insurance company that is **compliant with the existing minimum paid-up capital, Net Worth and Risk-Based Capital requirements**, and are currently not compliant in amount and in form of the required Security Deposit, shall be allowed to invest in government securities monthly for a period until June 30, 2022. In relation thereto, the company shall submit a sworn undertaking which shall be duly signed by the company's President and Chairman supported with a board resolution clearly stating the action taken and authorizing the said signatories.

SECTION 2. APPLICABILITY

This Rule shall only be allowed for financial reporting periods covering the years 2019 to 2022, unless extended or changed as deemed appropriate by the Insurance Commissioner.

This Circular shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner

