



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
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**IC GRANTS REGULATORY RELIEF FROM COMPLIANCE WITH
QUARTERLY NET WORTH REQUIREMENTS TO CERTAIN
INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES**

The Insurance Commission (IC) relaxed insurance and professional reinsurance companies' compliance with quarterly net worth requirements as a form of temporary regulatory relief during the 2019 Coronavirus Disease (COVID-19) pandemic.

On 15 May 2020, the IC issued Circular Letter No. 2020-60 on "Regulatory Relief on Net Worth Requirements and Guidelines on the Implementation of Amended Risk-Based Capital (RBC2) Framework for Calendar Year 2020" to answer industry calls for temporary relief from the implementation of regulatory solvency requirements to cushion against the financial and economic impact of the COVID-19 outbreak, such as exposure to declining revenues, unprecedented volatility in the stock market, interest rate changes, increased claims, credit risks, supply chain and service disruptions and the overall decrease in the value of assets and investments.

"This Commission recognizes and appreciates the importance of insurance and professional reinsurance companies in providing financial protection to Philippine society and the economy. As they protect the Filipino people, we must also help them manage the adverse effects of this pandemic," said Insurance Commissioner Dennis B. Funa.

Under Circular Letter No. 2020-60, all insurance and professional reinsurance companies that are already compliant with the statutory net worth requirement as of 31 December 2019 pursuant to Section 194 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, are temporarily relieved from complying with the quarterly net worth requirement of Nine Hundred Million Pesos (Php 900,000,000.00).

"Notwithstanding the grant of this temporary relief, said companies are still required to comply with risk-based capital ("RBC") requirements under Circular Letter No. 2016-68. You will note that under said Circular Letter, the IC will not be precluded from taking appropriate regulatory action once a company's RBC ratio dips below a certain percentage threshold," Commissioner Funa explained.

The IC previously issued Circular Letter Nos. 2016-68 and 2016-69 on 28 December 2016, which provides for rules and regulations of the Amended Risk-Based Capital (“RBC2”) framework that includes guidelines on the RBC2 Ratio, Risk-Based Capital requirements, Regulatory Intervention, and submission of quarterly and annual RBC2 reports.

Accordingly, for the IC to be able to determine the companies’ respective RBC2 ratios during this pandemic, they are required under Circular Letter No. 2020-60 to submit their RBC2 reports on 31 August 2020 for the quarter ending on 30 June 2020, on 30 November 2020 for the quarter ending on 30 September 2020, and on 30 April 2021 for the quarter ending on 31 December 2020. The IC already waived the submission of the RBC2 report for the quarter ending 31 March 2020 per Circular Letter No. 2020-47 dated 28 April 2020.

“Not all insurance and professional reinsurance companies may readily avail of this temporary relief, however. Those companies that are not compliant with the statutory net worth requirement under the Insurance Code as of 31 December 2019 must first address their net worth deficiencies before they can avail of said relief under Circular Letter No. 2020-60,” added Commissioner Funa.



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