



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



**PRESS RELEASE**  
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**IC ISSUES NEW INTERIM GUIDELINES ON DECLARATION  
OF DIVIDENDS BY REGULATED ENTITIES DURING  
THE 2019 CORONAVIRUS DISEASE (COVID-19) PANDEMIC**

The Insurance Commission (“IC”) issued interim guidelines on the declaration and/or distribution of dividends with the aim of conserving capital of all its regulated entities, including insurance companies, pre-need companies, and health maintenance organizations (“HMOs”), during the 2019 Coronavirus Disease (“COVID-19”) pandemic.

On 21 May 2020, the IC issued Circular Letter No. 2020-66 on the “Interim Guidelines on the Declaration and/or Distribution of Dividends with the End in View of Conserving Capital Due to the Projected Economic Impact of the COVID-19 Pandemic” governing the declaration of cash, property, and stock dividends of all regulated entities to ensure sufficiency of capital buffers.

“The COVID-19 pandemic has greatly affected and continues to affect both global and local economies. In order to be faithful to the Insurance Commission’s vision of strong, sustainable, and globally-competitive regulated entities during this pandemic, we deemed it necessary to institute a policy that would promote prudence with the utilization of capital so that our regulated entities will be prepared for whatever uncertainties that may arise in the months to come,” said Insurance Commissioner Dennis B. Funa.

Under the new Circular Letter, a regulated entity must first comply with certain solvency and regulatory requirements and secure prior approval from the IC before it can declare and/or distribute dividends from its unrestricted retained earnings.

In the same Circular Letter, the IC reserved itself the prerogative to disapprove any request to declare and/or distribute dividends “if reasonably necessary to protect the interest of the public and the company itself due to the economic impact of the COVID-19 pandemic.”

In the case of insurance companies, the new Circular Letter temporarily suspended the previous policy under Circular Letter No. 2019-60 dated 30 October 2019 that no prior approval or clearance shall be required before an insurance company may declare and/or distribute dividends. Under said Circular Letter No. 2019-60, insurance companies were only required to submit a post-declaration/distribution

report, together with accompanying documentation, within thirty (30) days after the dividend declaration/distribution.

"The prevailing unprecedented circumstances constrain us to be strict with this new policy. Any violation will mean that the erring company will be putting itself and all of its stakeholders at a financial risk during these times when economic projections are uncertain because of the pandemic," Commissioner Funa added.

Hence, any regulated entity that will be found to have declared and/or distributed dividends in violation of Circular Letter No. 2020-66 may be ordered to cease and desist from doing business until the amount of the dividends declared, or any portion thereof in excess of the amount allowed under said Circular Letter, is restored.

"At any rate, this is only a temporary measure. Circular Letter No. 2020-66 will only be effective until the end of 2020. Let us all hope that by then, global and local economies will have shown indications of recovery, if not growth," said Commissioner Funa.



**ATTY. ALWYN FRANZ P. VILLARUEL**  
Media Relations Officer  
[afp.villaruel@insurance.gov.ph](mailto:afp.villaruel@insurance.gov.ph)