

Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Vito Cruz Street
Manila 1004

DEPARTMENT ORDER NO. 15-2012
June 01, 2012

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

SUBJECT : MINIMUM PAID-UP CAPITAL REQUIREMENTS

WHEREAS, the insurance industry is one of the pillars of the financial system such that its further stability and growth have a significant impact on the Philippine economy and national development;

WHEREAS, a strongly capitalized insurance industry is essential in promoting a sound, efficient and financially robust insurance industry to enable it to perform its critical role in the economy;

WHEREAS, the imposition of a higher minimum paid-up capital (PUC) to further supplement Department Order (DO) No. 27-06 after December 31, 2012, shall ensure sufficient protection to the insuring public and further strengthen the integrity of the insurance industry.

WHEREAS, higher capitalization shall provide the insurance sector the needed business infrastructures and quality management team that will ensure business growth, market development and better service to the policyowners, and shall provide resources to address business volatility and risks brought about by calamities and catastrophes which hit the country with increasing frequency and alarming intensity.

NOW, THEREFORE, pursuant to the authority vested in me by the provisions of Section 188 of the Insurance Code, as amended, the following are hereby promulgated:



A. Insurance Company with Existing License

1. An existing or licensed life or non-life insurance company must have a PUC in accordance with the amounts and schedule of compliance provided hereunder:

Paid-Up Capital	Compliance Date
Php 250,000,000.00	On or before December 31, 2012 <i>(Pursuant to DO 27-06 and IMC No. 10-2006)</i>
Php 400,000,000.00	On or before December 31, 2014
Php 600,000,000.00	On or before December 31, 2016
Php 800,000,000.00	On or before December 31, 2018
Php 1,000,000,000.00	On or before December 31, 2020

2. In the case of an existing or licensed branch office of a foreign insurance company, the branch office shall have total security deposits at least equal to the minimum PUC required for domestic insurance companies.
3. For an existing or licensed composite insurance company, the PUC of its life and non-life units should each comply with the minimum PUC required under clause A.1 above.
4. An existing or licensed mutual insurance company shall have available cash assets of the same amount as the PUC of an insurance company, exclusive of all liabilities.
5. An existing or licensed insurance company, engaged in microinsurance business as defined under relevant rules, circulars and other issuances by the Insurance Commission and obtaining direct premiums on microinsurance products amounting to at least fifty percent (50%) of its aggregate direct premiums on all its lines of business, shall have a PUC of not less than half of that required of an existing or licensed insurance company.
6. In case a licensed life or non-life insurance company applies for a composite license, the capitalization required under Clause A.1 above shall apply to the new unit (life or non-life) in addition to its present capitalization for the business it is currently licensed.



B. Professional Reinsurance Company with Existing License

An existing or licensed professional reinsurance company must possess a PUC in accordance with the amounts and schedule of compliance provided hereunder:

	Paid-Up Capital	Compliance Date
Php	1,000,000,000.00	On or before December 31, 2012 <i>(Pursuant to DO 27-06 and IMC No. 10-2006)</i>
Php	1,200,000,000.00	On or before December 31, 2014
Php	1,400,000,000.00	On or before December 31, 2016
Php	1,700,000,000.00	On or before December 31, 2018
Php	2,000,000,000.00	On or before December 31, 2020

C. Standard for Suspension of PUC Requirement

After 2012, compliance with the prescribed PUC requirement may be deferred for existing insurance and professional reinsurance companies that meet the Risk-Based Capital (RBC) Hurdle Rate set out in the following schedule:

Basis of RBC Ratio	Review Year	RBC Hurdle Rate
2013 Synopsis	2014	150%
2015 Synopsis	2016	150%
2017 Synopsis	2018	150%
2019 Synopsis	2020	150%

In case the qualified insurance or professional reinsurance company (one that has achieved the RBC Hurdle Rate) chooses to exercise its right of deferment by giving a written notice to the Insurance Commission, compliance with the required PUC for the year following the Review Year will be postponed for two (2) years until the next Compliance Date as set out in Sections B and C above. However, such right may only be exercised once, after which the qualified company shall comply with the required PUC previously deferred and the ensuing PUC requirements whether or not it meets the RBC Hurdle

Rate, until it reaches PhP1,000,000,000.00 or PhP2,000,000,000.00, whichever is applicable. Furthermore, as a consequence of its exercise of its right to deferment, the qualified company's obligation to comply with each succeeding PUC requirement, as set out in Sections A and B above, shall also be moved by two years, respectively.

Hence, all existing insurance and professional reinsurance companies should have reached the PUC requirements of PhP 1,000,000,000.00 and PhP 2,000,000,000.00 by 2022, at the latest.

Attached as Annex A is an illustration of the application of Clause C.

D. Merger or Consolidation

Existing companies may merge or consolidate in order to comply with the required PUC herein provided. For purposes of determining compliance, with PUC requirements, the surviving corporation or the consolidated corporation (new company) shall be considered as an existing or licensed insurance company or professional reinsurance company.

Compliance with the PUC requirement for applicable year of insurance companies which are in the process of merger or consolidation shall be suspended provided that they have:

1. The combined PUC, based on the required latest audited financial statements of the companies to be merged or consolidated, of not less than the current capital requirement;
2. Obtained a favorable endorsement of the merger or consolidation from the Insurance Commission; and
3. Filed with the Securities and Exchange Commission the plan and articles of merger or consolidation.

Provided further that all the conditions above are satisfied on or before June 30 immediately following the notice of merger or consolidation to the Commissioner and the application for merger or consolidation is approved not later than June 30 of the following year. This waiver on the required capital also applies to companies that are in the process of complying with the minimum PUC pursuant to DO No. 27-06.

E. New Life or Non-Life Insurance Company

1. No new life or non-life insurance company shall be allowed to do insurance business and be licensed in the Philippines unless it has a PUC of One Billion Pesos (Php 1,000,000,000.00).
2. For a new composite insurance company (life and non-life), it shall have a PUC of Two Billion Pesos (Php 2,000,000,000.00).
3. An applicant for license as professional reinsurer shall have a PUC of Two Billion Pesos (Php 2,000,000,000.00)
4. In the case of a new branch office of a foreign insurance company, the branch office shall have total security deposits at least equal to the minimum PUC required for domestic insurance companies.
5. A new insurance company which shall engage solely in microinsurance business as defined under relevant rules, circulars and other issuances by the IC shall have a PUC of P500,000,000.00

F. Companies for Rehabilitation

Companies which are under conservatorship or receivership may be allowed to be licensed after complying with the PUC requirements imposed on existing insurance companies; Provided that, companies, whose licenses have not been renewed for five (5) consecutive years immediately preceding the date of their applications for a license, shall be required to have a PUC of One Billion Pesos (Php 1,000,000,000.00).

Insurance companies placed under liquidation shall no longer be licensed.

G. Effectivity of DO No. 27-06

Prior to the effective increase of PUC under this DO, the increase of capital as provided for under DO No. 27-06 subject to Clause C above shall continue to apply. In case the PUC required under DO No. 27-06 is greater than the PUC under this Department Order, the higher PUC shall be maintained.



H. Separability Clause

If any provision of this Order shall be declared as invalid or unconstitutional, such declaration shall not affect the validity of the remaining provisions of this Order.


I. Repealing Clause

All department orders and circulars which are incompatible or inconsistent with the provisions of this Order are hereby deemed amended or repealed.

J. Effectivity Clause

This DO shall take effect fifteen days after publication in the Official Gazette or in a newspaper of general circulation.

Signed this 1 day of June, 2012.


CESAR V. PURISIMA
Secretary of Finance

Recommending approval:


EMMANUEL F. DOOC
Insurance Commissioner

Illustration of Application of Clause C

1. In year 2014, Company A satisfied the RBC Hurdle Rate of 150% on the basis of its 2013 Synopsis. The PUC requirement of Php 400 million in 2014 shall not be applied to Company A. It may continue to operate with Php 250 million PUC up to 2014.
2. In year 2016, since there has been deferment of increase in PUC in 2014, the PUC requirement to be complied with by Company A is not the 2016 PUC requirement of Php 600 million but the 2014 PUC requirement of Php 400 million.
3. In the ensuing years 2018, 2020 & 2022, the company shall comply with the PUC requirements of Php 600 million, Php 800 million and Php 1 billion, respectively, since the deferment due to RBC compliance can only be availed one time.

