



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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INSURANCE COMMISSION ISSUES NEW RULES ON VOLUNTARY WITHDRAWAL BY DOMESTIC NON-LIFE INSURERS

The Insurance Commission (IC) has issued new rules governing the voluntary withdrawal or cessation of business by domestic non-life insurers.

Under the new rules, an insurance company shall not be considered to have withdrawn from engaging non-life insurance business until it has been officially declared by the IC.

In the approval of an application for voluntary cessation to engage in non-life business, an insurance company is now required to submit a complete proposal, including the timeline, for the settlement of its obligations and liabilities to its policyholders and creditors together with its audited financial statements and list of liabilities to policyholders and creditors.

The new rules is specifically not applicable to companies placed under conservatorship, receivership or liquidation, to those with existing Cease and Desist Order from the IC and those with deficiency in net worth and/or is not compliant with the RBC 2 requirement.

Insurance Commissioner Dennis B. Funa clarified that the new rules applies only in case the applicant company is compliant with the minimum net worth requirement or with the RBC 2 requirement, whichever is higher.

According to Commissioner Funa, "The first step in determining the applicability of the new rules on voluntary cessation is to determine the applicable minimum net worth requirement and the required RBC ratio of the applicant."

Commissioner Funa said, "In case the minimum net worth requirement applicable at the time of filing of the application for withdrawal from business is higher than the amount arrived as after the computation of the RBC, then the company would have to comply with the net worth requirement. On the other hand, should the computed RBC be higher than the minimum net worth requirement, then the company should comply with the RBC."

If the applicant is found to be compliant with the minimum net worth or RBC 2 ratio, whichever is higher, a servicing license shall be issued in its favor. Otherwise, a Show Cause Order against the company may be issued against which may result

into placing the company under conservatorship, receivership and ultimately, liquidation.”

It shall only be upon settlement of all its obligations and liabilities to its policyholders and creditors may a company may be officially declared to have withdrawn from engaging in insurance business.

Commissioner Funa said, “Under the new rules, a non-life insurance company who seeks to voluntary exit from the market shall be subject to the control of the IC throughout the entire exit process to ensure that its policyholders are protected.”

An overseer shall be appointed by the IC to determine and monitor the settlement of the outstanding liabilities of the company based on the list of existing policyholders and creditors, schedule of losses and claims payable, schedule of taxes payable and list of pending cases before any judicial, quasi-judicial and/or administrative body.

Furthermore, an applicant company shall likewise be subjected to certain restrictions which are applicable upon filing of its application to voluntary withdraw from the business and during the pendency thereof. These includes prohibition on a) declaration of any form of dividends, unless approved by the Commissioner; b) distribution of any form of profit sharing, bonuses, and other compensation schemes that are based on the profits or earnings of the company in favor of the members of the board of directors, executives, and officers, except law-mandated bonuses; and c) increase in salaries, per diems, allowance, fringe benefits and any similar compensation and benefits to the members of the board of directors, executives, and officers, unless approved by the Commissioner.

Commissioner Funa said, “It is through the observance of a rigid exit regulation can we protect the interest of the policyholders. We determined that it is appropriate to impose additional guidance on the process by which a non-life insurer may exit the market and to streamline the process where the impact on the policyholders shall be at a minimal level.”

Prior to the issuance of the rules on voluntary cessation governing non-life insurance companies, companies which seek to voluntary withdraw from the business in only required to apply for a servicing license pursuant to IC Circular Letter No. 2014-14.


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