



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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Manila



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INSURANCE COMMISSION ISSUES RULES ON DEMUTUALIZATION OF DOMESTIC MUTUAL LIFE INSURANCE COMPANIES

The Insurance Commission (IC) has issued a new directive for the demutualization of domestic mutual life insurance companies, guided by the principal of protecting the existing policyholders.

Circular Letter No. 2017-06, issued on 23 January 2017 also outlines the three basic types of demutualization, with the firm practice of transparency.

Insurance Commissioner Dennis B. Funa said that the entire process must be transparent, and that policyholders and members must be timely informed and the entire process must be publicly fully disclosed.

"It is the policy of the IC to afford full protection to policyholders, ensure fair and equitable treatment of members, and protect the interest of the converting company," Funa said in a statement.

Meanwhile, the IC will be on top of the entire demutualization process along with an IC- accredited independent actuary and other relevant experts.

It will have the power to call or conduct public hearings or consultations for the interest of existing policyholders or eligible members or interested groups.

Funa said that the three conversion methods includes full demutualization, sponsored demutualization, through a mutual holding company, or a combination of the foregoing.

"Demutualization through a variation of methods may also be employed, with the approval of the Commission," he added.

Demutualization is the process of converting a mutual life insurance company, which is owned by its policyholders, into a publicly traded stock company owned by the shareholders, who may or may not be policyholders.

Presently, Insular Life Insurance Assurance Co. Ltd. is the only domestic mutual life insurer.

Sun Life Assurance Company of Canada and Manufacturers Life Insurance Co. are

two Canada-based insurers with subsidiaries in the Philippines that demutualized a couple of years back. The two Philippine subsidiaries are listed at the PSE.

The advantage of a demutualized life insurance company or a stock company, is getting new investors or a fresh inflow of capital.

Starting this year, Philippine insurance companies are required to reflect a networth or minimum capital of P550 million, from last year's P250 million.

A stock company has more options of raising capital while a mutual company has fewer options. A mutual company traditionally raises capital from its customer members in order to provide services to them while stock company raises capital from its shareholders and other financial sources in order to provide services to its customers.


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