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Department of Finance
INSURANCE COMMISSION
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AFPGEN INSURANCE VOLUNTARILY SURRENDERS LICENSE

The Armed Forces and Police General Insurance Corporation (AFPGen) voluntarily surrendered its license to act as non-life insurance company and applied for a servicing license, Insurance Commissioner Dennis B. Funa said.

According to Commissioner Funa, AFPGen voluntarily ceased its operation and surrendered its license to sell non-life insurance products as the company can no longer raise the required net worth for insurance companies by the end of the year.

“Citing its inability to meet the minimum net worth requirement mandated by the Insurance Code by the end of the year, AFPGen surrendered its license and applied for a servicing license,” said Commissioner Funa.

He added, “While the company’s net worth as of end 2018 is compliant with the existing P550 million net worth requirement, the company said that it is no longer viable to maintain its insurance business considering that its financial health continuously eroded in the last six (6) years.”

Under the Amended Insurance Code, existing insurance companies need to have a net worth of at least P900 million and P1.3 billion by 2022.

Commissioner Funa clarified that all existing policies issued by AFPGen before the surrender of its license are still valid, existing and binding.

“Now as a servicing insurance company, AFPGen’s operation is limited to servicing its existing policyholders. All insurance contracts and policies issued by AFPGen shall remain to be valid and AFPGen is required to fulfill its obligation under these contracts,” according to Commissioner Funa.

He added, “In order to ensure that its outstanding liabilities to its policyholders are addressed, an overseer has been appointed to determine and monitor the company’s compliance.”

As a servicing insurance company, AFPGen is now prohibited from entering into new insurance contracts and the licenses granted to its agents are considered revoked.

Under existing rules of the Insurance Commission, the withdrawal and cessation of AFPGen will only be approved once the Insurance Commission finds that the company has settled all its outstanding liabilities to its policyholders and creditors.

AFP Gen was established in 1977 to cater to non-life insurance needs of the country's military and police organization. It was incorporated in 1979 as an independent entity wholly-owned by AFPMBAI.

In 2014, the Commission on Audit (COA) released a ruling stating that APFGen is no longer the insurer of the properties of the Armed Forces of the Philippines and the Philippine National Police. According to the ruling, it is the Government Service Insurance System (GSIS) that should cater to the needs of the uniformed services pursuant to Republic Act No. 656 or the Property Insurance Law which mandates that government assets should be insured with the GSIS.

Based on the Annual Statement of AFPGen as of end 2018, it has issued 65,568 non-life insurance policies. The bulk of the policies issued by AFPGen are insurance for migrant workers and motor car which is equivalent to 46% and 33%, respectively, of total insurance policies issued by the company.



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