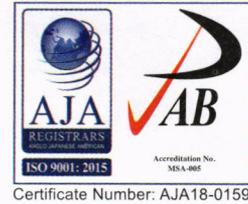




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Insurance Regulator Allows Insurers and Pre-Need Companies To Invest In REITs

The Insurance Commission has issued a regulation permitting insurance companies to invest in Real Estate Investment Trusts (REITs).

Insurance Commissioner Dennis B. Funa said, “While the Insurance Code specifically allows insurance companies to invest in REITs, it is not a self-executory provision. In other words, there is a need for the issuance of implementing rules and regulations.”

Under the new regulation, Commissioner Funa stipulated that the REIT must have prior approval of the Securities and Exchange Commission and shall be limited to publicly-listed REITs only for it to be treated as admitted assets of an insurance or pre-need company.

Commissioner Funa said that the aggregate placement of a life insurance company or mutual benefit association in REITs should not exceed 10% of its total admitted assets, while that of a non-life insurance company or professional reinsurance company should not exceed 20% of its net worth.

For pre-need companies, the new regulation provides that investments in REITs should not exceed 15% of its total trust fund.

Furthermore, investments of insurance companies shall be subject to a risk-based capital charge of 25% pursuant to the Amended Risk-Based Capital Framework.

Under Republic Act No. 9856 or the REIT Law of 2009, a REIT is defined as a stock corporation incorporated to own income-generating real estate assets. Specifically, there are listed companies that own and operate infrastructure facilities such as toll ways, airports, and high-ways, and income-producing real estate such as condominiums, shopping centers, office spaces, hotels, and resorts, and hospitals.

Commissioner Funa noted that, “Despite the fact that a decade has passed since the REIT lapsed into law, no Philippine REIT has been incorporated or

established. This can be attributed to the claim of market players that legal and administrative requirements have made investment in the Philippine REIT market difficult. However, we deemed it necessary to issue the new regulation on investments on REIT of insurance and pre-need companies.”

“Taking into consideration much-anticipated amendments to the implementing rules and regulations of the REIT Law by the SEC and the “Build Build Build” infrastructure program of the Duterte Administration, the issuance of the investment guidelines in REIT for the insurance and pre-need companies is very timely to ensure that insurers and pre-need industry players are well-prepared,” Commissioner Funa said.

“The new regulation will allow the insurance and pre-need companies to hit the ground running as early as the first listing of a Philippine REIT,” he added.

Commissioner Funa noted that REIT would provide for additional investment options for insurers in the country. Furthermore, it will contribute to the enhancement of their participation in capital markets that will help them boost their returns providing a closer match with its liabilities.



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