PRESS RELEASE
14 November 2024

IC UPDATES ALLOWABLE PDP INFRASTRUCTURE INVESTMENTS FOR INSURERS AND PROFESSIONAL REINSURERS

On 14 November 2024, the Insurance Commission approved Circular Letter ("CL") No. 2024-23 on the Guidelines on Investments in Infrastructure Projects Under the Philippine Development Plan ("PDP").

The issuance of the new Circular Letter was prompted by the President Ferdinand R. Marcos, Jr.'s approval of his eight (8)-point socioeconomic agenda under the PDP for 2023 until 2028 per Executive Order ("EO") No. 14, series of 2023. The new CL superseded CL Nos. 2018-74 and 2019-19 pertaining to allowable investments under the PDP for the years 2017 to 2022.

"With the issuance of the PDP for 2023 to 2028, there was a need for the Commission to review and update its guidelines on allowable investments in infrastructure projects under the PDP with the objective of aligning policy with the President's agenda," said Insurance Commissioner Reynaldo A. Regalado.

The new CL provides for a framework for infrastructure investments that an insurance or professional reinsurance company, both regulated entities, may undertake. These allowable investments factor in the determination of said entities' compliance with statutory prudential requirements.

The regulated insurers or reinsurers may undertake either or a combination of an equity investment, by which the regulated entity invests capital in the project, and/or a debt investment, by which the regulated entity invests as a financier or a sponsor of an infrastructure project.

For life insurance companies, the total allowable investments in infrastructure projects under the PDP shall not exceed forty percent (40%) of their admitted assets, respectively, per their latest approved annual statements.

Meanwhile, for non-life insurance companies and professional reinsurers, the total allowable investments in infrastructure projects under the PDP shall not exceed forty percent (40%) of their respective net worths, per their latest approved annual statements.

In the determination of an insurer or professional reinsurer's compliance with the risk-based capital requirement, which is also a prudential requirement by the Commission, the new CL imposes risk charges relating to investments in PDP infrastructure projects. The risk charge for equity instruments is 9%, while the charge for debt instruments is 6%. However, the Commission may impose a lower risk charge for debt instruments if the same have high credit ratings given by an external credit rating agency.

Said investments shall require the prior approval of the Commission. A request shall be made in writing, accompanied by the requesting company's board resolution approving the proposed investment, its latest audited financial statement, and a copy of the government's approval of the project. The request shall also be accompanied by financial projections, accompanied by stress testing and/or scenario analysis reports, to assess the investing insurer or reinsurer's resilience against severe but plausible macroeconomic stresses affecting the infrastructure project or activity.

"The Commission will be closely coordinating with the Department of Finance, the National Economic Development Authority ('NEDA'), and the Public-Private Partnership ('PPP') to ensure that requests for these kinds of investments are in line with national government policy objectives," Commissioner Regalado stated.

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