

[CIRCULAR LETTER NO. 2018-25, April 11, 2018]

**GUIDELINES ON COMPANIES THAT FAIL TO COMPLY WITH THE
NET WORTH REQUIREMENT OF SECTION 194**

*Adopted: 10 April 2018
Date Filed: 11 April 2018*

WHEREAS, pursuant to the powers vested in the Insurance Commissioner by Sections 437 of the amended Insurance Code (R.A. 10607). The Commissioner may issue such ruling, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcement of the provisions of the Insurance Code.

WHEREAS, a domestic insurance company already doing business in the Philippines shall have a net worth by June 30, 2013 of Two hundred fifty million pesos (P250,000,000.00). Furthermore, said company must have by December 31, 2016 an additional Three hundred million pesos (P300,000,000.00) in net worth; by December 31, 2019, an additional Three hundred fifty million pesos (P350,000,000.00) in net worth; and by December 31, 2022, an additional Four hundred million pesos (P400,000,000.00) in net worth.^[1]

WHEREAS, the minimum paid-up capital and net worth requirement must remain unimpaired for the continuance of the license.^[1]

WHEREAS, whenever the net worth requirement be found to be less than that required to be maintained, the Commissioner shall forthwith direct the company to make good any such deficiency. That the company in the interim shall not be permitted to take any new risk of any kind or character unless and until it make good any such deficiency^[2].

NOW THEREFORE, by the power vested in the Insurance Commissioner under Section 437 of the amended Insurance Code, the **"GUIDELINES ON COMPANIES THAT FAIL TO COMPLY WITH THE NET WORTH REQUIREMENT OF SECTION 194"** is hereby issued for the guidance and compliance of all insurance companies doing business in the Philippines:

Section 1. Servicing Insurance Company – as defined in Circular No. 2014-14 dated 12 May 2014, a servicing insurance company may either be:

1. A domestic insurance company which is: (a) in a state of "run-off"^[3];
(b) "running-off" towards closure;
(c) expressly allowed by the insurance Commission to "run-off"; or

(d) a distressed company expressly prohibited by the insurance Commission to sell policies

Or,

2. A foreign life insurance company that withdraws from the Philippines whose business transactions are confined to accepting periodic premium payments from, or granting policy loans and paying cash surrender values of outstanding policies to, or reviving lapsed policies of, Philippine policyholders, and such other related services. (Section 286 of the amended Insurance Code)

Section 2, Coverage. – This Circular shall apply to an insurance company doing business in the Philippines that fails to comply with the following net worth requirement of Section 194:

P 250,000,000.00 by December 31, 2013
550,000,000.00 by December 31, 2016
900,000,000.00 by December 31, 2019
1,300,000,000.00 by December 31, 2022,

but is still able to pay its lawful obligations as they fall due in the ordinary course of business as shown in its latest IC-examined Annual Statements/Synopsis and its sworn interim financial statements as of the date of its application for servicing license.

Section 3. Exceptions. – These Guidelines shall not apply to:

- a. Company already under conservatorship, receivership and liquidation;
- b. Is the subject of an existing Cease and Desist Order issued by the Insurance Commission;
- c. Considered an Insolvent company^[4]; and
- d. Already ordered to be liquidated by the Commissioner.

Section 4. Application as a Servicing Insurance Company - Insurance company with less than the minimum net worth prescribed by Section 194 of the Amended Insurance Code shall have fifteen (15) days from effectivity of this Circular, or fifteen (15) days from receipt of the order of the Commissioner to make good any deficiency, whichever is later, to perform either of the following:

- a. Comply with the order (i.e., make good any deficiency; or
- b. Apply for a Certificate of Authority (CA) for a "Servicing Insurance Company.

As Section 200 of the Amended Insurance Code provides that an insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital and net worth requirements, any company who cannot meet the required net worth shall, in the interim, not be permitted to take any new risk of any kind or character unless and until it makes good any such deficiency.

Failure by a company to make good any deficiency or to apply a CA for Servicing Insurance Company within the period provided herein and in pursuance with this