

[CIRCULAR LETTER NO. 2018-45, September 07, 2018]

GUIDELINES ON THE MINIMUM CAPITALIZATION AND NET WORTH REQUIREMENTS FOR COMPOSITE INSURANCE COMPANIES UNDER THE AMENDED INSURANCE CODE

Adopted: 05 September 2018

Date Filed: 07 September 2018

WHEREAS, Presidential Decree No. 63 otherwise known as "The Insurance Act, as amended" enacted on 20 November 1972 prohibited an insurance company to transact the business of life insurance and non-life insurance concurrently;

WHEREAS, Presidential Decree No. 612 otherwise known as "The Insurance Code" enacted on 18 December 1974 allowed an insurance company to transact the business of life and non-life insurance concurrently provided it is specifically authorized to do so but failed to expressly provide for the minimum paid-up capital of the same;

WHEREAS, Department Order No. 27-92 issued on 17 March 1992 by the Department of Finance required new composite insurance companies to possess a paid-up capital of at least One Hundred Fifty Million Pesos (Php150 million), Seventy Five Million Pesos (P75 million) of which shall pertain to the non-life account and the other Seventy Five Million Pesos (Php75 million) to the life account, and a contributed surplus fund of at least Fifty Million Pesos (Php50 million), Twenty Five Million of which shall pertain to the non-life account and the other half to the life account;

WHEREAS, Department Order No. 15-2012 issued on 01 June 2012 by the Department of Finance required that a) the paid-up capital of the life and non-life units of an existing composite insurance company should each comply with the minimum of an existing composite insurance company should each comply with the minimum paid-up capital; b) in case a licensed life or non-life insurance company applied for a composite license, the capitalization required shall apply to the new unit in addition to its present capitalization for the business it is currently licensed; and c) in case of a new composite license, it shall have a paid-up capital of Php2 billion;

WHEREAS, Republic Act No. 10607 entitled "An Act Strengthening The Insurance Industry, Further Amending Presidential Decree No 612, otherwise Known As "The Insurance Code", As Amended By Presidential Decree Nos. 1141, 1280, 1455, 1460, 1814 and 1981, And Batas Pambansa Blg. 874, And For Other Purposes" was approved on 15 August 2013 allowing an insurance company to transact the business of life and non-life insurance concurrently provided it is specifically authorized to do so by this Commission;

WHEREAS, the Amended Insurance Code failed to expressly provide for the minimum paid-up capital and the minimum net worth requirement for new and existing composite insurance companies, respectively;

WHEREAS, there is a need to clarify the provision of the Amended Insurance Code insofar the paid-up capital and net worth requirement for composite insurance companies;

WHEREAS, there is a need to institutionalize the rule enunciated in the above-mentioned Department Orders that the life and non-life units of a composite insurance company should each comply with the existing capitalization and net worth requirements;

NOW, THEREFORE, pursuant to the authority vested in me by the provision of Section 437 the Insurance Code, as amended by Republic Act No 10607, the following are hereby promulgated:

Section 1. New Composite Insurers. No new composite insurance company shall be allowed to do insurance business and be licensed as such unless it has a paid-up capital of at least Two Billion (P2,000,000,000.00), One Billion Pesos (P1,000,000,000.00) of which shall pertain to the life unit and the other One Billion Pesos (P1,000,000,000.00) to the non-life unit.

The Commissioner may, as a pre-licensing requirement of a new composite insurance company, in addition to the paid-up capital stock, require the stockholders to pay in cash to the company in proportion to their subscription interests a contributed surplus fund of not less than Two Hundred Million Pesos (P200,000,000.00), One Hundred Million (P100,000,000.00) of which shall pertain to the life unit and the other half to the non-life unit.

A composite insurance company other than those existing and licensed at the time of the effectivity of the Amended Insurance code are considered as new composite insurers.

The minimum paid-up capital must remain unimpaired for the continuance of the license.

Section 2. Existing Composite Insurers. For an existing composite insurance company, the minimum net worth of its life and non-life units shall each comply with the amounts and schedule of compliance provided hereunder:

Amount	Compliance Date
P550,000,000.00	31 December 2016
P900,000,000.00	31 December 2019
P1,300,000,000.00	31 December 2022