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EXAMINATION/ VERIFICATION RULES AND PROCEDURES ON PAID-UP CAPITAL AND NETWORTH COMPLIANCE

To complement the enforcement of the Insurance Code particularly Section 246, IMC No. 1-2004 items 3, 4 and 5, IMC No. 1-2006, for statutory reporting purposes and to further clarify the audit procedures by the Insurance Commission, the following rules and procedures shall apply:

1. Financial statements of insurance and reinsurance brokers authorized to transact business in the Philippines shall be subject to yearly examination/verification. All concerned entities shall submit present all books of accounts, securities, brokers' agreement, information on policies, details on cessions or retrocessions, rates of commissions and premiums as may be required by the examiner.

Such examiner shall also have the power to examine the officers of such company under oath touching its business and financial condition and the authority to transact business in the Philippines of any such entity shall be suspended by the Commissioner if such examination is refused and such entity shall not thereafter be allowed to transact further business in the Philippines until it has fully complied with all the requirements.

Offsetting of receivables and payables shall be permitted in accordance with the requirements of Philippine Accounting Standards Principles No. 32 (PAS 32), thus, all types of trade receivables and payables (direct and reinsurance) shall be taken up at gross.

2. All monies collected or received as premium payment shall be immediately remitted to the insurance or reinsurance company concerned, unless a period has been agreed upon which in no case shall exceed ninety (90) days from inception of the policy. Reinsurance balances shall also be subjected to confirmation from the concerned principal and any discrepancy shall immediately be reconciled, otherwise, differences will also be subjected to the setting up of non-ledger liabilities.

Likewise, premium receivable/recoverable over ninety (90) days shall also be disallowed unless proof of collection shall be submitted.

3. Proof of investments in bonds, treasury bills, stocks, real estate, loans receivable, cash on hand and in bank shall also be presented/submitted to the examiner and shall be subjected to disallowances if supporting documents are inadequate.