

[IC CIRCULAR LETTER NO. 7-2004, March 29, 2004]

PAID-UP CAPITAL AND SOLVENCY MARGIN REQUIREMENTS

In response to the queries received concerning the effects of increases in paid-up capital relative to the provisions of Section 194 & Section 247 of the Insurance Code, the following rules and definitions shall apply:

1) Insurance companies are required to keep their paid-up capital in-tact or unimpaired at all times. The paid-up capital is considered in-tact or unimpaired if the total net assets or stockholders' equity is at least equal to the paid-up capital of the company.

2) For purposes of determining the surplus available for the margin of solvency compliance, the paid-up capital shall be taken to be equal to the minimum paid-up capital required of the company corresponding to the category in which it belongs as summarized below:

- a) Direct writing companies already existing before March 1992 - P50 million
- b) Professional reinsurers already existing before March 1992 - P75 million
- c) Insurance companies organized under Department Order Nos. 27-92 & 100- 94

Companies with 60% or more Filipino equity - P75 million

Companies with less than 60% but more than 40% Filipino equity - P150 million

Companies with 40% or less Filipino equity - P250 million

This circular shall take effect immediately.

Adopted: 29 March 2004