

[IC CIRCULAR LETTER, May 20, 1985]

INVESTMENTS UNDER THE INSURANCE CODE

It has come to the attention of this Commission that some insurance and reinsurance companies have the misconception that almost all investments need the prior approval of this Commission.

We wish to clarify that investments which qualify under Sections 198, 199, 200 (1), 200 (2) a to I, 200 (3), 202, 204, 205 and 206 of the Insurance Code do not require the approval of this Commission, provided they are in accordance with the conditions and limitations set forth in said provisions of the Code. These investments include, first mortgage loans; purchase money mortgages; loans secured by pledge of bonds and stocks specified in Section 200; policy loans; real and personal property acquired by reason of loan; lot and building for office use; bonds of RP government and RP government corporation/entities; bonds, preferred stocks and common stocks of "solvent" corporations as the term "solvent" is defined in the Code; trustees' and receivers' obligations, equipment trust obligations, and securities issued by enterprises registered under RA 5186 as amended. Life insurance companies may in addition invest in housing projects and real estate for the production of income, subject to the limitations set forth under Section 202 of the Insurance Code.

Prior approval of this Commission is required only for those investments which fall under:

1. Section 200 (2) j - "Such other securities as may be approved by the Commissioner."
2. Section 201 - "... (1) invest in equities of other financial institutions and (2) engage in the buying and selling of short-term debt instruments..."
3. Section 206 - "... securities issued by any 'registered enterprise' ... in such amounts as may be approved by the Commissioner." (reserve and surplus investments of life insurance companies)
4. Sections 191, 193, 204 % 205 - only for investments in excess of the 20% - 20% limitations set forth therein.
5. Section 291 - "... transactions between a controlled insurer and any person in its holding company system ... loans or extensions of credit, or investments, involving five per centum of more of the insurer's admitted assets as of the thirty-first day of December next preceding..."
6. Circular No. 64, No. 3 - "No insurance company shall grant any loan to any of its officers or directors without the prior approval of the Insurance