



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Circular Letter (CL) No. :	2020-111
Date:	7 December 2020
Supersedes:	CL No. 2014-07

TO : ALL LIFE AND NON-LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : APPROVAL OF FACULTATIVE REINSURANCE PLACEMENTS ABROAD

In order to ensure the timely submission and expedite the approval of facultative reinsurance placements abroad by life and non-life insurance companies, the following rules and regulations are hereby promulgated to implement Sections 222,223,224 and 225 of Republic Act 10607 otherwise known as the Amended Insurance Code pursuant to the powers vested in the Insurance Commissioner by the provisions of Section 437 thereof:

1. Any application for the approval of facultative reinsurance placements abroad must contain all the required documents as provided in the Checklist, accompanied by the cover letter addressed to the Insurance Commissioner, a duly accomplished Particulars of Application and Consolidated List of Facultative Reinsurance Placements Abroad.

A copy of the Checklist, Particulars of Application and Consolidated List of Facultative Reinsurance Placements Abroad are hereto attached as Annexes A, B-1 and B-2, respectively, for non-life companies, and Annexes C, D-1 and D-2, respectively, for life companies. No item must be left unanswered except when it is not applicable, in which case "N.A." should be indicated with a corresponding brief explanation thereof.

2. The submission must also be accompanied by a duly notarized Deed of Undertaking executed by the President or by any authorized senior officer of the company with a rank of at least Vice President. Such Deed of Undertaking shall state, in the form prescribed in Annex E, the following:
 - a. That all the entries in the Checklist, Particulars of Application and Consolidated List of Facultative Reinsurance Placements Abroad are true and correct; and
 - b. That the company shall be responsible for any willful misrepresentation and/or any willful violation committed by any of its officers and/or

authorized representatives in connection with the application for approval of facultative reinsurance placement abroad.

3. No insurance company shall cede all or part of any risk situated in the Philippines by way of reinsurance directly to any foreign insurer not authorized to do business in the Philippines unless such foreign insurer or, if the services of a nonresident broker is utilized, such non-resident reinsurer/broker is represented by a resident agent duly registered with the Insurance Commission.
4. In the case of non-life insurance, the risk for which a facultative reinsurance placement is being applied for shall first be offered locally to two (2) authorized insurance companies and the National Reinsurance Corporation of the Philippines¹.

Should the offer be declined, a declination letter/form shall be submitted indicating the reason/s why the facultative reinsurance offer was not accepted. Details of this requirement are contained in the attached Annex A, Checklist for the Approval of Facultative Reinsurance Placements Abroad (Non-Life).

5. A non-life insurance company doing business in the Philippines, may accept reinsurance only of such risks and retain risks on any one subject of insurance in an amount not exceeding twenty percent (20%) of its net worth.
6. All non-life companies' applications for facultative reinsurance placements abroad shall be submitted to the Insurance Commission within one (1) year from inception date of the insurance contract/agreement between the original insurer and the original insured.
7. For life companies' facultative reinsurance placements abroad, filing shall be made semi-annually. Applications with effective date from January 01 to June 30 of the current year shall be submitted to the Insurance Commission within the month of July of the same year. For applications with effective date July 01 to December 31, these shall be submitted within the month of January of the following year.
8. Each application for facultative reinsurance placements abroad shall have a processing fee of Five Thousand Pesos (Php5,000.00) per assured/risk as provided under CL No. 15-2014 dated 15 May 2014.
9. Any delay in the filing of the application for approval of facultative reinsurance placements abroad shall be fined in the amount of Five Thousand Pesos (Php5,000.00) per assured/risk for each day of delay up to a maximum of Two Hundred Thousand Pesos (Php200,000.00).


¹ Pursuant to Presidential Decree No. 1270, s. 1977

10. The Insurance Commission may, at its discretion, conduct on-site/off-site examination/s on reinsurance matters to ensure compliance with the requirements of the pertinent provisions of the Amended Insurance Code and circulars and guidelines issued by the Insurance Commission.
11. Non-filing of application for approval of each facultative reinsurance placement abroad within the period provided in Items 6 and 7, and subject to item 9 of this Circular shall be subject to an outright fine of Two Hundred Thousand Pesos (Php200,000.00) per facultative placement, and Five Thousand Pesos (Php5,000.00) per day of continued delay.
12. If, upon post-audit, the Insurance Commission finds that there has been material inaccuracy or gross violation of the Amended Insurance Code and this Circular Letter, the Insurance Commissioner shall have the discretion to impose a fine in an amount not less than Five Thousand Pesos (Php5,000.00) per violation.

Approval of any facultative reinsurance placements abroad pursuant to this Circular shall be subject to suspension or recall at any time if there is a finding of violation of the Amended Insurance Code, circulars and/or guidelines issued by this Commission, without prejudice to the authority of the Insurance Commissioner to impose the applicable penalties and/or administrative sanctions prescribed under the Amended Insurance Code, and/or other circulars issued by this Commission.

All previous issuances inconsistent herewith are hereby superseded.

This Circular takes effect immediately.


DENNIS B. FUNA
Insurance Commissioner

