



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

Circular Letter (CL) No.:	2014-46
Date:	12 November 2014
Supersedes:	None

CIRCULAR LETTER

TO : ALL INSURANCE AND SURETY COMPANIES CONCERNED

SUBJECT : RULES AND GUIDELINES IN THE APPLICATION FOR GRANT OF AUTHORITY TO PRIVATE INSURANCE AND SURETY COMPANIES TO ACT AS SURETIES IN GOVERNMENT TRANSACTIONS PURSUANT TO ACT NO. 536, AS AMENDED BY ACT NO. 2206

WHEREAS, Act No. 536, as amended by Act No. 2206¹ is the legal basis for the authority of the President of the Republic of the Philippines to issue corresponding Administrative Orders for insurance and surety companies to become a surety upon official recognizances, stipulations, bonds, and undertaking;

WHEREAS, by virtue of the Letter of the Office of the President dated May 7, 2014 and DOJ Opinion No. 93-2012 dated December 05, 2013, as affirmed by the DOJ in a Letter dated September 2014, IC Circular Letter (CL) No. 2014-24 dated May 28, 2014 was issued defining the power of the Insurance Commissioner to grant authority to private insurance and surety companies to act as sureties in government transactions;

WHEREAS, IC Circular Letter (CL) No. 2014-24 mandates the Deputy Insurance Commissioner for Legal Services, together with the Licensing Division, of the Insurance Commission to formulate the rules and guidelines of IC CL No 2014-24 for the processing of requests and/or applications for the grant of such authority.

¹ An Act Relative to Recognizances, Stipulations, Bonds, and Undertaking, and to Allow Certain Corporations To Be Accepted As Surety Thereon.

NOW, THEREFORE, pursuant to the authority vested to the Commissioner under the Insurance Code, as amended by Republic Act (R.A.) NO. 10607, the following rules and guidelines are hereby promulgated:

1. Any insurance or surety company desiring to transact any business under Act No. 536, as amended by Act No. 2206 shall submit a Letter of Intent, addressed to the Insurance Commissioner, signifying its intention to be granted an authority to act as such.

2. The following documents must be attached to the Letter of Intent:

- a. Copy of the applicant's Certificate of Authority;
- b. Sworn Statement that the applicant has complied with the minimum capital requirement under the Insurance Code, as amended, and with the liquidity requirements under the pertinent circulars issued by the IC;
- c. Notarized Contract of Undertaking executed by the applicant in favor of the Republic of the Philippines to the effect that it is able to keep and perform its contracts;
- d. Certificate of the Corporate Secretary submitting the names of the authorized signatories of the applicant; and
- e. Certificate of the Corporate Secretary listing the latest composition of the Board of Directors of the applicant.

3. An applicant shall pay an accreditation fee in the amount as may be determined by the Insurance Commissioner in a corresponding circular.

4. If the Insurance Commissioner is satisfied that (1) such applicant has authority under its charter to do business in the manner provided by Act No. 536, as amended; (2) it has complied with the minimum capital requirement under the Insurance Code, as amended by R.A. No. 10607; (3) it has complied with the liquidity requirements under the pertinent circulars issued by the IC; and (4) is able to keep and perform its contracts, he shall issue a corresponding authorization to such applicant to do business under Act No. 536, as amended.

5. The authorization granting such applicant to become a surety upon official recognizances, stipulations, bonds, and undertaking shall be subject to the company's continuing compliance with the provisions of Act No. 536, as amended, the Insurance Code, as amended and the circulars, instructions, rulings or decisions of the Commission.

6. All authorizations issued under this Circular shall be valid for one (1) year from the date of the issuance of such order unless sooner suspended or revoked for valid cause/s.

7. All existing Administrative Orders issued by the President of the Philippines pursuant to Act No. 536, as amended, shall remain valid, provided that insurance and surety companies previously authorized to transact business under Act No. 536, as amended, shall be required to pay an annual supervision fee in the amount as may be determined by the Insurance Commissioner in a corresponding circular.

This Circular Letter takes effect immediately.



EMMANUEL F. DOOC
Insurance Commissioner