



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



Circular Letter (CL) : No.	2018 - 45
Date :	5 September 2018
Amends/Supersedes :	None

### CIRCULAR LETTER

TO : ALL NEW AND EXISTING INSURANCE COMPANIES  
AUTHORIZED TO TRANSACT BUSINESS IN THE  
PHILIPPINES

SUBJECT : GUIDELINES ON THE MINIMUM CAPITALIZATION AND NET  
WORTH REQUIREMENTS FOR COMPOSITE INSURANCE  
COMPANIES UNDER THE AMENDED INSURANCE CODE

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**WHEREAS**, Presidential Decree No. 63 otherwise known as "The Insurance Act, as amended" enacted on 20 November 1972 prohibited an insurance company to transact the business of life insurance and non-life insurance concurrently;

**WHEREAS**, Presidential Decree No. 612 otherwise known as "The Insurance Code" enacted on 18 December 1974 allowed an insurance company to transact the business of life and non-life insurance concurrently provided it is specifically authorized to do so but failed to expressly provide for the minimum paid-up capital of the same;

**WHEREAS**, Department Order No. 27-92 issued on 17 March 1992 by the Department of Finance required new composite insurance companies to possess a paid-up capital of at least One Hundred Fifty Million Pesos (Php150 million), Seventy Five Million Pesos (P75 million) of which shall pertain to the non-life account and the other Seventy Five Million Pesos (Php75 million) to the life account, and a contributed surplus fund of at least Fifty Million Pesos (Php50 million), Twenty Five Million of which shall pertain to the non-life account and the other half to the life account;

**WHEREAS**, Department Order No. 15-2012 issued on 01 June 2012 by the Department of Finance required that a) the paid-up capital of the life and non-life units of an existing composite insurance company should each comply with the minimum

of an existing composite insurance company should each comply with the minimum paid-up capital; b) in case a licensed life or non-life insurance company applied for a composite license, the capitalization required shall apply to the new unit in addition to its present capitalization for the business it is currently licensed; and c) in case of a new composite license, it shall have a paid-up capital of Php2 billion;

**WHEREAS**, Republic Act No. 10607 entitled "An Act Strengthening The Insurance Industry, Further Amending Presidential Decree No. 612, Otherwise Known As "The Insurance Code", As Amended By Presidential Decree Nos. 1141, 1280, 1455, 1460, 1814 And 1981, And Batas Pambansa Blg. 874, And For Other Purposes" was approved on 15 August 2013 allowing an insurance company to transact the business of life and non-life insurance concurrently provided it is specifically authorized to do so by this Commission;

**WHEREAS**, the Amended Insurance Code failed to expressly provide for the minimum paid-up capital and the minimum net worth requirement for new and existing composite insurance companies, respectively;

**WHEREAS**, there is a need to clarify the provision of the Amended Insurance Code insofar as the paid-up capital and net worth requirement for composite insurance companies;

**WHEREAS**, there is a need to institutionalize the rule enunciated in the above-mentioned Department Orders that the life and non-life units of a composite insurance company should each comply with the existing capitalization and net worth requirements;

**NOW, THEREFORE**, pursuant to the authority vested in me by the provision of Section 437 the Insurance Code, as amended by Republic Act No. 10607, the following are hereby promulgated:

**Section 1. New Composite Insurers.** No new composite insurance company shall be allowed to do insurance business and be licensed as such unless it has a paid-up capital of at least Two Billion (P2,000,000,000.00), One Billion Pesos (P1,000,000,000.00) of which shall pertain to the life unit and the other One Billion Pesos (P1,000,000,000.00) to the non-life unit.

The Commissioner may, as a pre-licensing requirement of a new composite insurance company, in addition to the paid-up capital stock, require the stockholders to pay in cash to the company in proportion to their subscription interests a contributed surplus fund of not less than Two Hundred Million Pesos (P200,000,000.00), One Hundred Million (P100,000,00.00) of which shall pertain to the life unit and the other half to the non-life unit.

A composite insurance company other than those existing and licensed at the time of the effectivity of the Amended Insurance Code are considered as new composite insurers.

The minimum paid-up capital must remain unimpaired for the continuance of the license.

**Section 2. Existing Composite Insurers.** For an existing composite insurance company, the minimum net worth of its life and non-life units shall **each** comply with the amounts and schedule of compliance provided hereunder:

Amount	Compliance Date
P550,000,000.00	31 December 2016
P900,000,000.00	31 December 2019
P1,300,000,000.00	31 December 2022

Thus, an existing composite insurance company shall have the following minimum net worth:

Amount	Compliance Date
P1,100,000,000.00, P550 million of which shall pertain to the life unit and the other P550 million shall pertain to the non-life account	31 December 2016
P1,800,000,000.00, P900 million of which shall pertain to the life unit and the other P900 million shall pertain to the non-life account	31 December 2019
P2,600,000,000.00, P1.3 billion of which shall pertain to the life unit and the other P1.3 billion shall pertain to the non-life account	31 December 2022

An insurance company is classified as “existing” if the same is already authorized to transact insurance business prior to and at the time of the effectivity of the Amended Insurance Code.

**Section 3. Additional Unit for Existing Life or Non-Life Insurer.** In case an existing life or non-life insurance company applies for composite license, the minimum net worth requirement for an existing insurance company provided under Section 194 of the Amended Insurance Code shall apply to the new unit, in addition to its present net worth for the business it is currently licensed.

**Section 4. Applicable Capitalization and Net Worth Requirement for Cooperative Insurance**

An insurance cooperative shall have a minimum capitalization or minimum net worth of at least fifty percent (50%) of those provided above.

**Section 5. Applicability of Risk-based Capital Framework.**

The requirements under this Circular Letter shall be without prejudice to other requirements imposed under the Risk-Based Capital Method provided under existing Circular Letters of this Commission, including any amendments thereto.



### **Section 6. *Separability Clause.***

If any portion, provision or section of these Guidelines or the application thereof to any person or circumstance is held invalid by the courts, the other portions, provisions or sections thereof or their application to other persons or circumstances shall not be affected thereby and remain valid.

### **Section 7. *Repealing Clause.***

All other rules and/or regulations inconsistent herewith are hereby repealed, modified and/or amended accordingly.

### **Section 8. *Transitory Provision.***

All existing and licensed composite insurance companies must formally signify within sixty-five (65) days from the effectivity of this Circular Letter, whether it will continue to transact the business of life and non-life insurance concurrently or it will run-off one of its business units and to engage in a single unit of business only (i.e. either life or non-life unit) or run-off both of its life and non-life units.

Those who opt to continue to engage in both life and non-life insurance business concurrently and who are not compliant with Section 2 hereof are given one (1) year from the effectivity of this Circular Letter within which to comply with Section 2 hereof. Such companies shall be allowed to renew their respective Certificates of Authority for Licensing Years 2019 to 2021, provided that, it is compliant with the other requirements of this Commission for the renewal thereof, provided further, that by 03 September 2019, it shall have a net worth of ₱550 million for each of its life and non-life unit and by 31 December 2019, it shall have a net worth of ₱900 million for each of its life and non-life unit.

Those who signify to discontinue one or both of its nit/s must comply with the pertinent Circular Letters of this Commission on voluntary cessation and/or servicing license.

### **Section 9. *Effectivity.***

This Circular Letter shall take effect immediately.

  
**DENNIS B. FUNA**  
Insurance Commissioner

