



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



Circular Letter No.	: 2019-38
Date	: 29 July 2019
Supplements	: IC CL No. 2014-24, IC CL No. 2014-46 and IC CL No. 2015-39

CIRCULAR LETTER

TO : ALL INSURANCE AND SURETY COMPANIES CONCERNED

SUBJECT : REMOVING THE VARYING LIMITS OF LIABILITY/ RESTRICTIONS IN THE AUTHORITY ISSUED TO INSURANCE 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. 2206 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 DOJ *Opinion No. 93 series of 2013* dated December 5, 2013 and the letter of the Office of the President dated May 7, 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 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 for the processing of requests and/or applications for the grant of such authority;

WHEREAS, IC CL No. 2014-46 dated November 12, 2014 and IC CL 2015-39 dated July 27, 2015 was issued to provide rules and regulations 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 subject to the submission of the requirements stated therein and payment of an accreditation fee or supervision fee, as the case may be;

WHEREAS, insurance companies authorized to act as sureties to government transactions pursuant to Act No. 536, as amended by Act No. 2206 are already subjected to the stringent networth and RBC requirements in accordance with the Insurance Code, as amended by

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Republic Act No. 10607, and such other regulations duly issued by the Insurance Commission which enables such companies to engage in the suretyship business;
WHEREAS, several of the previously issued Administrative Orders and existing authorizations have varying limits of liability/restrictions insofar as their Authority to act as sureties in government transactions are concerned;

WHEREAS, said differences in said restrictions might result to unfair competition among insurance companies authorized to act as sureties in government transactions;

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 supplemental rules and guidelines are hereby promulgated:

- 1) All previously issued administrative orders that imposes a restriction on the limits of liability in the amount of **FIFTY THOUSAND PESOS (Php 50,000.00)**, including authorizations issued under Circular 2014-46 dated November 12, 2014 shall be **deleted**.

Insurance and surety companies which are affected by the above changes shall **surrender their authorization** to the Licensing Division of the Insurance Commission. In lieu thereof, **new authorizations shall be given** to the affected insurance and surety companies to allow them to act as surety in government transactions under Act. No. 536, as amended by Act No. 2206, **provided that they meet the minimum capital and networth requirements of Section 200 of the Amended Insurance Code and IC CL Nos. 2015-02-A, 2016-68, 2016-69, 2018-45 and other pertinent guidelines where applicable.**

- 2) All existing Administrative Orders issued by the President of the Philippines, shall remain valid, provided that insurance and surety companies previously authorized to transact business under Act No. 536, as amended by Act No. 2206, shall annually submit the requirements provided under IC CL No. 2014-46 and the payment of the annual supervision fee in the amount of **TEN THOUSAND PESOS (Php 10,000.00)** not later than 31st of December for each calendar year.

This Supplemental Circular Letter takes effect immediately.

DENNIS B. FUNA
Insurance Commissioner

