



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



Circular Letter (CL) No.:	2020-103
Date:	30 October 2020
Amends:	CL No. 2020-60, d. 15 May 2020

CIRCULAR LETTER

TO : ALL INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES DOING BUSINESS IN THE PHIIPPINES

SUBJECT : AMENDMENT TO SECTION 1 OF CIRCULAR LETTER NO. 2020-60 DATED 15 MAY 2020 ON “REGULATORY RELIEF ON NET WORTH REQUIREMENTS AND GUIDELINES ON THE IMPLEMENTATION OF AMENDED RISK-BASED CAPITAL (RBC2) FRAMEWORK FOR CALENDAR YEAR 2020”

WHEREAS, on 15 May 2020, this Commission issued Circular Letter No. 2020-60 with the subject *“Regulatory Relief on Net Worth Requirements and Guidelines on the Implementation of Amended Risk-Based Capital (RBC2) Framework for Calendar Year 2020”*,

WHEREAS, pursuant to Section 1 (a) of said Circular Letter, *“all insurance companies already complaint with the networth [sic] requirements as of 31 December 2019 under Section 194 of the Amended Insurance Code before the declaration of ECQ and adversely affected by the crisis”* are *“relieve [sic] from the quarterly compliance of the networth [sic] requirements of Php900,000,000.00”*,

WHEREAS, this Commission has revisited and consequently found the need to amend Section 1 of said Circular Letter on the grant of relief *“from the quarterly compliance of the networth [sic] requirements of Php900,000,000.00”* for the following reasons, notwithstanding the Commission’s recognition of the financial and economic impact of the COVID-19 pandemic, to wit:

1. A grant of relief from quarterly net worth requirements runs contrary to principles of the existing risk-based capital framework adopted pursuant to Section 194 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607;

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2. A number of regulatory reliefs that have a significant impact on the net worths of insurance and professional reinsurance companies doing business in the Philippines have already been granted under various Circular Letters issued by this Commission (e.g., Circular Letter No. 2020-58 dated 14 May 2020 on “Regulatory Relief on the Admittance of Premiums Receivable Due to the COVID-19 Pandemic”, Circular Letter No. 2020-63 dated 18 May 2020 on “Regulatory Relief from the Exposure Limit Applied to Financial Assistance Program of Insurance Companies”, etc.); and
3. Quarterly unaudited financial reports, from which the quarterly compliance of net worth requirements is determined, are still subject to final adjusting and closing entries at year-end;

NOW, THEREFORE, in view of the foregoing and pursuant to the undersigned’s statutory powers under Section 437 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, the following amendment to Section 1 of Circular Letter No. 2020-60 dated 15 May 2020 on “Regulatory Relief on Net Worth Requirements and Guidelines on the Implementation of Amended Risk-Based Capital (RBC2) Framework for Calendar Year 2020” is hereby adopted and promulgated, to wit:

1. **Amendment to Section 1 of CL No. 2020-60.** – Section 1 of Circular Letter No. 2020-60 is hereby amended as follows:

“1. All insurance companies already compliant with the net worth requirements as of 31 December 2019 under Section 194 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, that are adversely affected by the crisis are required to comply with CL No. 2016-68 (Amended Risk-Based Capital Framework) and Revised Regulatory Intervention (RBC ratio) as follows:

RBC Ratio (Y)	Event	Action
100% and above		No regulatory action needed.
$75\% \leq Y < 100\%$	Trend Test	Company shall be required to submit linear extrapolation of the RBC ratio for the next period. If the RBC ratio falls below 75%, move to Company Action Event.
$50\% \leq Y < 75\%$	Company Action	Company required to submit RBC plan and financial projections and implement the plan accordingly.

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$25\% \leq Y < 50\%$	<i>Regulatory Action</i>	<i>IC authorized to issue Corrective Orders</i>
$Y < 25\%$	<i>Authorized and Mandatory Control</i>	<i>IC authorized and required to take control of the company.</i>

2. **Separability Clause.** – If any provision of this Circular Letter shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.
3. **Effectivity.** – This Circular Letter shall take effect immediately.

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