



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



<b>Circular Letter (CL) No.:</b>	<b>2021-61</b>
<b>Date:</b>	<b>19 October 2021</b>
<b>Supplements:</b>	<b>CL No. 2015-02-A dated 13 January 2015</b>

## CIRCULAR LETTER

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

**SUBJECT : GUIDELINES ON THE MINIMUM PAID-UP CAPITALIZATION AND NET  
WORTH REQUIREMENTS FOR COOPERATIVE INSURANCE COMPANIES**

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**WHEREAS**, Republic Act (RA) No. 10607, which amended the Insurance Code (Presidential Decree No. 612) was signed by the President of the Philippines on 15 August 2013 and took effect on 20 September 2013;

**WHEREAS**, under Section 437 of the Amended Insurance Code, the Commissioner may issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcements of the Amended Insurance Code;

**WHEREAS**, Insurance Commission (IC) Circular Letter (CL) No. 2015-02-A was issued on 13 January 2015, to promulgate the minimum capitalization requirements to all new and existing life and non-life insurance and professional reinsurance companies doing business in the Philippines based primarily on Section 194 of the Amended Insurance Code;

**WHEREAS**, IC CL Nos. 2017-14 dated 10 March 2017 and 2019-67 dated 22 November 2019 were also issued to provide guidelines on the minimum members' equity requirements for mutual companies doing business in the Philippines pursuant to the above-mentioned Section of the Amended Insurance Code;

**WHEREAS**, the Amended Insurance Code and the above mentioned CLs failed to expressly provide for the minimum paid-up capital and the minimum net worth requirements for cooperative insurance companies;

**WHEREAS**, Section 190 of RA 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), includes “cooperatives” in the definition of the term “insurer” or “insurance company”;

**WHEREAS**, Section 13, Article 107 (Applicability of Insurance Laws), Chapter XIII of RA No. 9520 (entitled *An Act Amending the Cooperative Code of the Philippines to be known as the “Philippine Cooperative Code of 2008”*) states that, “*the provisions of the Insurance Code and all other laws and regulations relative to the organization and operation of an insurance company shall apply to cooperative insurance entities organized under this Code. The requirements on capitalization, investments and reserves of insurance firms may be liberally modified upon consultation with the Authority and the cooperative sector, but in no case may the requirements be reduced to less than half of those provided for under the Insurance Code and other related laws*”;

**WHEREAS**, Rule III (Insurance Cooperatives), Section 6 of Rules and Regulations Implementing Special Provisions of RA No. 9520 (Approved by the Joint Congressional Oversight Committee on Cooperatives on 16 February 2010) provides that, “*An Insurance Cooperative shall have a minimum paid-up capitalization of at least One Hundred Twenty Five Million Pesos (₱125,000,000.00) or as required in Department Order No. 27-06 of the Department of Finance (DOF) and its subsequent amendments. However, the requirements on capitalization may be liberally modified but in no case may the requirements be reduced to less than half of those provided by rules, regulations, or laws*”;

**WHEREAS**, Rule III (Insurance Cooperatives), Section 6 of Revised Rules and Regulations Implementing Certain and Special Provisions of the Philippine Cooperative Code of 2008 (Promulgated on 18 March 2015), provides that, “*An Insurance Cooperative shall have a minimum capitalization of at least 50% of those provided under the Insurance Code of the Philippines, as amended, and applicable rules, regulations and laws*”;

**WHEREAS**, there is a need to clarify the provision of the Amended Insurance Code insofar as the minimum paid-up capital and minimum net worth requirements for insurance cooperatives are concerned, and at the same applying the provisions of Rule III (Insurance Cooperatives Revised Rules and Regulations Implementing Certain and Special Provisions of the Philippine Cooperative Code of 2008;

**NOW, THEREFORE**, pursuant to the authority vested in me by the provision of Section 437 of the Amended Insurance Code, the following are hereby promulgated:

**Section 1. New Cooperative Insurers**

- a. No new cooperative insurance company shall be allowed to do insurance business and be licensed as such unless it has a paid-up capital of at least fifty percent (50%) of what is required under the Amended Insurance Code and subsequent amendments thereto.

- b. A new cooperative insurance company, other than those existing and licensed at the time of the effectivity of the Amended Insurance Code, is considered as a new cooperative insurer.
- c. A new cooperative insurance company's minimum paid-up capital must remain unimpaired but shall subsequently follow the minimum net worth requirement for an existing cooperative insurance companies for the continuance of the license.

## Section 2. Existing Cooperative Insurers

- a. For an existing cooperative insurance company, the minimum net worth shall comply with the amounts and schedule of compliance provided hereunder:

Minimum Net Worth (₱)	Compliance Date
125,000,000.00 <sup>1</sup>	30 June 2013
275,000,000.00 <sup>2</sup>	31 December 2016
450,000,000.00 <sup>3</sup>	31 December 2019
650,000,000.00 <sup>4</sup>	31 December 2022

- b. A cooperative insurance company is classified as "existing" if the same is already authorized to transact business prior to and at the time of the effectivity of the Amended Insurance Code.
- c. The minimum paid-up capital of an existing cooperative insurance company, as required under applicable laws, rules or regulations prior to the effectivity of the Amended Insurance Code, must remain unimpaired for the continuance of the license.

## Section 3. Applicability of Risk-Based Capital Framework

The requirements under this CL shall be without prejudice to other requirements imposed under the Risk-Based Capital Method provided under existing CLs of this Commission, including any amendment thereto.

## Section 4. 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 remain valid.

<sup>1</sup> Computed as fifty percent (50%) of Two Hundred Fifty Million Pesos (₱250,000,000.00)

<sup>2</sup> Computed as fifty percent (50%) of Five Hundred Fifty Million Pesos (₱550,000,000.00)

<sup>3</sup> Computed as fifty percent (50%) of Nine Hundred Million Pesos (₱900,000,000.00)

<sup>4</sup> Computed as fifty percent (50%) of One Billion Three Hundred Million Pesos (₱1,300,000,000.00)



**Section 5. Repealing Clause**

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

**Section 6. Increase in the Minimum Capitalization**

The Secretary of Finance may, upon recommendation of the Insurance Commissioner, increase such minimum paid-up capitalization and/or minimum net worth requirements under such terms and conditions as he may impose, to an amount which, in his opinion, would reasonably assure the safety of the interests of the policyholders and the public. The minimum paid-up capital and net worth requirements must remain unimpaired for the continuance of the license.

**Section 7. Effectivity**

This CL shall take effect immediately.



**DENNIS B. FUNA**  
Insurance Commissioner

