



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



Circular Letter (CL) No.	2020-60
Date	15 May 2020
Supplements	CL Nos. 2016-68 and 2016-69 (dated 28 December 2016); CL No. 2020-47 (dated 28 April 2020)

CIRULAR LETTER

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

SUBJECT : REGULATORY RELIEF ON NETWORTH REQUIREMENTS AND GUIDELINES ON THE IMPLEMENTATION OF AMENDED RISK-BASED CAPITAL (RBC2) FRAMEWORK FOR CALENDAR YEAR 2020

WHEREAS, Insurance Commission (IC) Circular Letter (CL) Nos. 2016-68 and 2016-69 both dated 28 December 2016, provide for rules and regulations of the Amended Risk-Based Capital (RBC2) framework such as the RBC2 Ratio and Risk-Based Capital requirement, Regulatory Intervention and submission of quarterly and annual RBC2 reports;

WHEREAS, on 12 March 2020, President Rodrigo R. Duterte placed the entire Luzon under Enhanced Community Quarantine (ECQ) effective 17 March 2020 and expiring on 12:00 AM of 13 April 2020 to stop the spread of the COVID-19 infections;

WHEREAS, in a Memorandum dated 07 April 2020 from Executive Secretary Salvador C. Medialdea, the ECQ over the entire Luzon was extended until 11:59 P.M. of 30 April 2020;

WHEREAS, President Rodrigo R. Duterte issued Executive Order (EO) No. 112, dated 30 April 2020, extending the ECQ from 12:01 A.M. of 01 May 2020 to 11:59 P.M. of 15 May 2020 in the National Capital Region;

WHEREAS, IC CL No. 2020-47 dated 28 April 2020 waived the requirement to submit the RBC2 report for the First (1st) Quarter ending 31 March 2020, among others.

WHEREAS, the insurance industry requests for temporary relief on the implementation of the networth requirements and Risk-Based Capital requirements for calendar year 2020 in order for insurance companies to better utilize their capital as they continue to work on their recovery vis-à-vis the Philippine economy.

WHEREAS, this Commission recognizes that with the COVID-19 crisis still unfolding, there will definitely be an impact on policyholders, counterparties, and vendors; and insurance companies may be affected in a variety of ways, such as exposure to declining revenues, unprecedented volatility in the stock market, interest rate changes, increased claims, credit risks, supply chain and service disruptions, and the overall decrease in the value of assets and investments. These events could depress the solvency position of insurance companies.

WHEREAS, this Commission value the importance of insurance companies to stay in business as they provide as primary source of financial protection to the society and economy;

NOW, THEREFORE, in view of the foregoing and to start-up and provide relief to the insurance industry and in accordance with Insurance Commissioner's power under Section 437 of the Amended Insurance Code, the following guidelines are hereby promulgated:

1. All insurance companies already compliant with the networth 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:
 - a. Relieve from the quarterly compliance of the networth requirements of Php900,000,000.00; and
 - b. Required to comply with CL 2016-68 (Amended Risk-based Capital Framework 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 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

RBC Ratio (Y)	Event	Action
		submit RBC plan and financial projections and implement the plan accordingly.
$25\% \leq Y < 50\%$	Regulatory Action	IC authorized to issue Corrective Orders
$Y < 25\%$	Authorized and Mandatory Control	IC authorized and required to take control of the company.

- All insurance companies which **are not compliant** with the networth requirements as provided in Section 194 of the Amended Insurance Code before the declaration of the ECQ are required to make fulfil their respective commitments to the IC to put up additional funds to cover the networth deficiency before availing the relief as discussed in (1) above.
- Submission of 2020 RBC2 reports for the following periods **shall be required**.

Period Covered	Submission Date
As of 30 June 2020	31 st of August 2020
As of 30 September 2020	30 th of November 2020
As of 31 December 2020 ¹	30 th of April 2021

This circular shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner



¹ Annual submission