



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

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Date:	18 March 2015
Supersedes:	IC Circular Letter No. 79-1973 dated 08 March 1973

**CIRCULAR LETTER**

**TO : ALL DOMESTIC INSURANCE COMPANIES DOING  
BUSINESS IN THE PHILIPPINES**

**SUBJECT : RULES AND REGULATIONS ON CONSOLIDATION AND  
MERGER OF INSURANCE COMPANIES**

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In accordance with Sections 258<sup>1</sup> and 437<sup>2</sup> of the Insurance Code, as amended by R.A. No. 10607, the following rules and regulations governing mergers and consolidation for domestic insurance companies doing business in the Philippines are hereby promulgated:

- 1. Notice to the Commissioner.** - Two (2) or more domestic insurance companies desirous of consolidating into a single corporation which shall be a new corporation or merge into a single corporation must notify the Insurance Commissioner in writing at least thirty (30) days prior to any board action to approve any Plan of Merger/Consolidation.
- 2. Plan of Merger/Consolidation.** - After notifying the Commissioner of its intention to merge or consolidate, the domestic insurance companies concerned must come up with a common agreement to be known as **Plan of**

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<sup>1</sup> SEC. 258 Upon prior notice to the Commissioner, two (2) or more domestic insurance companies, acting through their respective boards of directors, may negotiate to merge into a single corporation which shall be one of the constituent corporations, or consolidate into a single corporation which shall be a new corporation to be formed by the consolidation. A common agreement of the proposed merger or consolidation shall be drawn up for submission to the stockholders or members of the constituent companies for adoption and approval in accordance with the provisions of the respective bylaws of the constituent companies and all existing laws that may be pertinent

<sup>2</sup> SEC. 437 The Insurance Commissioner shall be appointed by the President of the Republic of the Philippines for a term of six (6) years without reappointment and who shall serve as such until the successor shall have been appointed and qualified. If the Insurance Commissioner is removed before the expiration of his term of office, the reason for the removal must be published

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*The Commissioner may issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcement of the provisions of this Code, to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public. Except as otherwise specified, decisions made by the Commissioner shall be appealable to the Secretary of Finance*

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**Merger/Consolidation**, as the case may be, for the proposed merger or consolidation, through their respective boards of directors.

3. **Contents of the Plan of Merger/Consolidation.** - The Plan of Merger/Consolidation must include the following provisions:
  - a. The manner of transfer of assets to and assumption of liabilities by the absorbing or acquiring company from the absorbed or dissolved company or companies;
  - b. The proposed articles of merger or consolidation and by-laws of the surviving or acquiring company;
  - c. The corporate name to be adopted which should not be that of any other existing company transacting similar business or one so similar as to be calculated to mislead the public;
  - d. The rights of the stockholders or members of the absorbed or dissolved companies;
  - e. Date of effectivity of the merger or consolidation; and
  - f. Such particulars as may be necessary to explain and make manifest the objects and purposes of the absorbing or acquiring company.
4. **Stockholder's Approval.** - The Plan of Merger/Consolidation must then be submitted to the stockholders or members of the constituent companies for **adoption and approval at separate corporate meetings duly called for the purpose.** Notice of such meetings shall be given to all stockholders or members of the respective corporations, at least two (2) weeks prior to the date of the meeting, either personally or by registered mail. Said notice shall state the purpose of the meeting and shall include a copy or a summary of the plan of merger or consolidation.
5. **Stockholder's Right of Appraisal.** - All stockholders or members dissenting or objecting to the merger or consolidation shall be paid the value of their shares by the company concerned in accordance with the by-laws thereof.
6. **Notice to Policyholders and Creditors.** - After the adoption and approval of the Plan of Merger/Consolidation by and between or among the boards of directors and the stockholders or members of the constituent companies, notice thereof shall be immediately sent through mail within twenty (20) days from execution of such agreement to their policyholders and all creditors.
7. **Discharge of Liabilities.** - The company or companies to be absorbed or dissolved must undertake to discharge all its accrued liabilities; otherwise, such liabilities shall, with the consent of its creditors, be transferred to and assumed by the absorbing or acquiring company. In the case of policies subject to cancellation by the company or companies to be absorbed or dissolved, the same must be cancelled pursuant to the terms thereof in lieu of

such transfer, assumption, or reinsurance and submission of proof of endorsement notifying the insured of such cancellation. In any case, proof as to the discharge of its accrued liabilities must be in writing and submitted to the Commissioner.

8. **Articles of Merger/Consolidation.** - The corresponding articles of merger or of consolidation shall be duly executed by the presidents and attested by the corporate secretaries and shall bear the corporate seals of the merging or consolidating companies setting forth:
  - a. The plan of merger or the plan of consolidation;
  - b. As to each corporation, the number of shares outstanding, or in case of mutual corporations, the number of members; and
  - c. As to each corporation, the number of shares or members voted for and against such plan, respectively.
9. **Financial Examination.** – Before the Insurance Commissioner endorses the Articles of Merger/Consolidation to the Securities and Exchange Commission (SEC), the current year's examination/verification shall be utilized for the purpose of determining the financial condition of the concerned insurance companies. The Insurance Commissioner shall send a notice to the said conduct of financial examination to the concerned company at least thirty (30) days prior to the date of such examination.
10. **Commissioner's Approval of Plan of Merger/Consolidation.** – After a review, the Commissioner shall then approve or deny the Plan of Merger/Consolidation and the Articles of Merger/Consolidation. In case the Commissioner denies the Plan of Merger/Consolidation, the reason/s for such denial should be stated.
11. **Commissioner's Endorsement.** - In accordance with Section 79 of the Corporation Code of the Philippines, insurance companies must secure the favorable recommendation of the Insurance Commissioner before submitting the articles of merger or consolidation with the Securities and Exchange Commission (SEC).<sup>3</sup> To secure the endorsement of the Commissioner, the following must be submitted:

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<sup>3</sup> **Section 79.** Effectivity of merger or consolidation – The articles of merger or of consolidation, signed and certified as herein above required, shall be submitted to the Securities and Exchange Commission in quadruplicate for its approval. *Provided, That in the case of merger or consolidation of banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, educational institutions and other special corporations governed by special laws, the favorable recommendation of the appropriate government agency shall first be obtained* If the Commission is satisfied that the merger or consolidation of the corporations concerned is not inconsistent with the provisions of this Code and existing laws, it shall issue a certificate of merger or of consolidation, at which time the merger or consolidation shall be effective. If, upon investigation, the Securities and Exchange Commission has reason to believe that the proposed merger or consolidation is contrary to or inconsistent with the provisions of this Code or existing laws, it shall set a hearing to give the corporations concerned the opportunity to be heard. Written notice of the date, time and place of hearing shall be given to each constituent corporation at least two (2) weeks before said hearing. The Commission shall thereafter proceed as provided in this Code.

- a. Certified true copy of the articles of merger or consolidation duly approved by the board of directors, and adopted by the stockholders of the constituent companies;
  - b. Copies each of the minutes of the board of directors' meeting and minutes of the stockholders' meeting of the constituent companies, approving and adopting respectively the articles of merger or consolidation;
  - c. Verified affidavits of such other officers and under the seal of the constituent companies;
  - d. Deed of assignment or transfer of all the assets in favor of the absorbing or acquiring company in exchange for shares of the latter;
  - e. Amended articles of incorporation of the company or companies to be absorbed or dissolved, shortening its or their corporate term to a specified date not later than the effective date of merger or consolidation;
  - f. Audited financial statements (Balance sheet and relative Profit and Loss Statement) of the constituent companies;
  - g. Affidavit of publication of the notice of dissolution of the absorbed company or companies. Said notice of dissolution must be published once a week for three (3) consecutive weeks in a newspaper of general circulation in the Philippines, to the effect that it has or they have presented to the SEC and IC an amended articles of incorporation shortening its or their term of existence, together with the relative financial statement and advising the creditors of its or their willingness to settle claims.
  - h. Certification about increase of capital stock of the acquiring or absorbing company executed in accordance with the Corporation Code, whenever necessary, to create shares of stock for issuance to the stockholders of the absorbed or dissolved company or companies in accordance with the plan or merger/consolidation.
  - i. Written proof as to the discharge of accrued liabilities of the company or companies to be absorbed or dissolved; and
  - j. Such other papers or documents which the Commissioner may require, for his consideration. The list of policy holders should be made available if and when it is required.
12. **Filing with the SEC.** - The signed and verified articles of merger or of consolidation and endorsement from the Commissioner shall be filed with the SEC for its examination and approval.
13. **Surrender of Old Certificates of Authority.** - Upon receipt from the SEC of the certificate of merger or of consolidation, the constituent companies shall

surrender to the Commissioner their respective certificates of authority to transact insurance business notwithstanding that there is a surviving entity, in case of merger, the certificate of authority shall forthwith be surrendered.


**14. Application for New Certificate of Authority.** - The absorbing or surviving company in case of merger, or the newly formed company in case of consolidation, shall immediately file with the Commissioner the corresponding application for issuance of a new certificate of authority to transact insurance business, together with a certified copy of the certificate of merger or of consolidation, and of the certificate of increase of stocks, if there is any, issued by the SEC (Section 264 of the Insurance Code, as amended by R.A. No. 10607).

**15. Time Period.** - All proposed mergers and consolidation must be completed within twelve (12) months from the time the Insurance Commissioner was first notified of the intent to merge or consolidate. However, requests to extend the deadline of completion should be done in writing, explaining the reason for the delay, and received and approved by the Insurance Commissioner before the expiration of the twelve (12) month period.

The foregoing shall be without prejudice to other requirements that the Commission may additionally require.

This Circular Letter will take effect immediately.

For your information and guidance.



**EMMANUEL F. DOOC**  
Insurance Commissioner