



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



Circular Letter (CL) No.:	2017-26
Date:	11 April 2017
Supplements:	CL No. 2014-15 dated 15 May 2014 (Schedule of Fees and Charges)

CIRCULAR LETTER

TO : ALL DOMESTIC NON-LIFE INSURANCE COMPANIES
DOING BUSINESS IN THE PHILIPPINES

SUBJECT : GUIDELINES ON VOLUNTARY CESSATION OF
NON-LIFE INSURANCE BUSINESS IN THE
PHILIPPINES

Pursuant to the authority of the Insurance Commissioner provided under Section 437 of the Insurance Code, as amended by R.A. 10607, the following **Guidelines on Voluntary Cessation of Non-Life Insurance Business** is hereby adopted:

I. APPLICABILITY

These Guidelines shall apply to any domestic non-life insurance company intending to voluntarily cease and withdraw its insurance operations.

This shall not apply to- (1) a company placed under conservatorship, receivership and liquidation; (2) a company that has been issued an existing Cease and Desist Order by this Commission; or, (3) a company with existing net worth deficiency and/or is not compliant with the RBC 2 requirement.

Foreign insurance companies intending to withdraw its insurance operations in the Philippines shall be governed by Sections 281 to 287 of R.A. 10607 and the appropriate Insurance Commission (IC) circulars and/or memoranda.

II. DOCUMENTARY REQUIREMENTS

A domestic non-life insurance company intending to voluntarily cease and withdraw its insurance operations must submit a Letter of Intent addressed to the Insurance

Commissioner stating therein its complete proposal, including the timeline and the milestone dates for such proposal, together with the following:

- a. Copy of its latest Certificate of Authority (CA);
- b. Board resolution approving such cessation and withdrawal;
- c. Audited financial statements for the preceding two (2) years;
- d. Draft Notice to the Public which shall contain the following:

<p>NOTICE</p> <p>TO ALL POLICYHOLDERS AND CREDITORS OF ____ :</p> <p>NOTICE IS HEREBY GIVEN THAT THE BOARD OF DIRECTORS OF _____ HAS, BY A MAJORITY VOTE, RESOLVED TO VOLUNTARILY CEASE AND WITHDRAW ITS NON-LIFE INSURANCE OPERATIONS IN THE PHILIPPINES AND HAS SUBMITTED AN APPLICATION FOR CESSATION AND WITHDRAWAL OF BUSINESS TO THE INSURANCE COMMISSION FOR ITS APPROVAL.</p> <p style="text-align: center;">(SIGNED) AUTHORIZED SIGNATORY NAME OF COMPANY</p>

- e. List of existing policyholders including the corresponding date of policy issuance, period and amount of coverage;
- f. List of creditor/s and corresponding amount of liability/ies;
- g. Schedule of Losses and Claims Payable;
- h. Schedule of Taxes Payable;
- i. List of pending cases before any judicial, quasi-judicial and/or administrative agencies and the status thereof or a certification that there are no such pending cases;
- j. List of company's employees to service the remaining policyholders until the business is finally wound up; and,
- k. Such other documents as may be reasonably required by the Commissioner.

III. EXAMINATION OF THE FINANCIAL CONDITION OF THE COMPANY

Upon receipt of the Letter of Intent with complete documentary requirements attached thereto, the Non-Life Examination Division shall examine the financial condition of the company. The prescribed minimum net worth and RBC 2 ratio, whichever is higher, at the time of receipt of the Letter of Intent shall be the basis for determining the company's compliance.

a. If the company is found compliant with the minimum net worth and RBC 2 ratio, whichever is higher, it shall recommend to the Commissioner the issuance of a servicing license to the company for purposes of voluntary cessation and withdrawal of business.

b. If the company is found to have capitalization deficiency, it shall immediately recommend the issuance of a Show Cause Order against the company directing it to explain why it should not be placed under conservatorship, receivership and, ultimately, liquidation.

IV. ISSUANCE OF A SERVICING LICENSE

Upon approval by the Commissioner of the recommendation by the Non-Life Examination Division for the issuance of a servicing license for purposes of voluntary cessation and withdrawal of business, the company shall be issued a replacement CA for a servicing insurance company valid for the remaining period of the surrendered CA.

Henceforth, it shall be considered as a servicing company whose business transactions shall be confined to those provided under Circular Letter (CL) No. 2014-14 dated 12 May 2014 on the Definition and Licensing of Servicing Insurance Companies.

The servicing license shall be renewable annually on or before the date of its expiry.

V. CONSEQUENCES OF APPLICATION FOR WITHDRAWAL AND CESSATION

Upon filing of its Letter of Intent for purposes of voluntary cessation and withdrawal of business and during the pendency of such application, the company shall be subject to the following restrictions/limitations:

- a. The licenses granted to the agents of the company shall be revoked;
- b. The company shall terminate the offering and/or sale of insurance products;
- c. The company shall not declare any form of dividends unless approved by the Commissioner;

d. The company shall not distribute any form of profit sharing, performance bonuses, and other compensation schemes that are based on the profits or earnings of the company to the members of the board of directors, executives and officers, without prejudice to the observance of law-mandated bonuses;

e. The company shall not grant increase in salaries, per diems, allowances, fringe benefits and any similar compensation and benefits to the members of the board of directors, executives and officers unless approved by the Commissioner;

f. The company shall not cause the sale, lease, and/or mortgage of its assets unless approved by the Commissioner;

g. No favorable endorsement for purposes of effecting any amendments in the company's Articles of Incorporation and By-Laws shall be granted during the pendency of the application for cessation and withdrawal of business to reflect any shift to or inclusion of any other line of business/es;

h. And such other limitations/restrictions the Commissioner may reasonably impose.

VI. PAYMENT OF FEES FOR CESSATION OF BUSINESS; FORWARDING OF THE APPLICATION TO THE CRL DIVISION

The company shall pay the amount of Php 25,250.00 (inclusive of 1% legal research fund) as fees for cessation and withdrawal of business upon the issuance of the servicing license.

The application, together with all the submitted documents, shall then be forwarded to the Conservatorship, Receivership and Liquidation (CRL) Division for the determination and settlement of the outstanding liabilities of the company following the procedures under Section VIII hereof.

VII. NOTICE TO THE PUBLIC BY MAIL AND THRU PUBLICATION

Upon payment of the fees for cessation and withdrawal of business, the company shall send the approved Notice to the Public of its application for cessation and withdrawal of non-life insurance business individually to all its policyholders and creditors by registered mail within a period of thirty (30) days from the date of payment.

In addition, the approved Notice to the Public shall be published at least once a week for three (3) consecutive weeks in a newspaper of general circulation in accordance with CL No. 2016-34 dated 21 June 2016.

The company shall be required to submit corresponding affidavits to attest to the sending and publication of the approved Notice to the Public to the CRL Division.

VIII. EVALUATION AND APPROVAL OF CESSATION AND WITHDRAWAL OF BUSINESS

- a. The CRL Division shall recommend the appointment and engagement of the services of an overseer to determine and monitor the settlement of the outstanding liabilities of the company to its policyholders and creditors.
- b. The CRL Division shall recommend the approval of the application for cessation and withdrawal only after a determination that the company has settled all its outstanding liabilities to its policyholders and creditors.
- c. If the Commission finds that the company has no outstanding liabilities or has satisfied all its liabilities, the Commissioner shall approve the application for cessation and withdrawal.
- d. Upon approval by the Commissioner, the company shall be issued a Certificate of Withdrawal declaring its insurance business in the Philippines as officially withdrawn.
- e. The company shall thereafter be required to surrender its servicing license for cancellation.
- f. A notice of withdrawal declaring the company's insurance business in the Philippines as officially withdrawn shall be published at least once for three (3) consecutive weeks in a newspaper of general circulation in accordance with CL No. 2016-34 dated 21 June 2016. Expenses for such publication shall be paid by the company.

IX. PAYMENT OF SUPERVISION FEES

The company shall pay the required annual supervision fees provided under CL No. 2014-15 dated 15 May 2014 on Fees and Charges.

X. RELEASE OF SECURITY DEPOSIT

Matters relating to the release of security deposits after all liabilities under the company's issued policies had already been satisfied shall be governed by CL No. 2013-35 dated 5 December 2013 on the Guidelines on the Release of Security Deposit.

XI. EFFECTIVITY

This Circular shall take effect immediately.


DENNIS B. FUNA
Insurance Commissioner