

IMC No	:	1 - 2006
Date	:	April 24, 2006
Superseding	:	1-2004

INSURANCE MEMORANDUM CIRCULAR NO. 1 - 2006

SUBJECT: CAPITALIZATION REQUIREMENTS FOR INSURANCE BROKERS AND REINSURANCE BROKERS

WHEREAS, the fiduciary relation between insurance brokers and reinsurance brokers and their principals and the insuring public requires that insurance brokers and reinsurance brokers be sufficiently capitalized;

WHEREAS, the startup operation of a new insurance broker or reinsurance broker entail huge pressure on the company's resources and surplus; to accelerate growth, a startup broker's company's resources must be adequate;

WHEREAS, adequate capitalization for existing brokers and new entrants is essential to attaining sustainable levels of profitability and for the long-term growth of the country's insurance industry;

WHEREAS, the operation in the country of brokers with adequate capitalization levels sustains investor confidence and engenders domestic capacity and capability to compete regionally and globally;

NOW, THEREFORE, pursuant to the authority vested in me under Section 414, second paragraph, of the Insurance Code, as amended, the following are hereby promulgated:

- I. Effective July 1, 2006, any new entrant intending to do business either as an insurance broker or reinsurance broker must have a paid-up capitalization of Twenty Million Pesos (Php 20,000,000.00) and thereon must maintain a networth of at least Twenty Million Pesos (Php 20,000,000.00).
- II. Effective July 1, 2006, any new entrant intending to do business both as an insurance broker and reinsurance broker must have a paid-up capitalization of Fifty Million Pesos (Php 50,000,000.00) and thereon must maintain a networth of at least Fifty Million Pesos (php 50,000,000.00).
- III. Existing insurance brokers or reinsurance brokers must have a networth in accordance with the amounts and schedule of compliance stipulated hereunder:

<i>(Networth)</i>	<i>(Compliance Date)</i>
₱ 2,000,000.00	On or before December 31, 2006
₱ 4,000,000.00	On or before December 31, 2007
₱ 6,000,000.00	On or before December 31, 2008
₱ 8,000,000.00	On or before December 31, 2009
₱ 10,000,000.00	On or before December 31, 2010

IV. Existing entities operating both as an insurance broker and reinsurance broker must have a networth in accordance with the amounts and schedule of compliance stipulated hereunder:

<i>(Networth)</i>	<i>(Compliance Date)</i>
₱ 5,000,000.00	On or before December 31, 2006
₱ 10,000,000.00	On or before December 31, 2007
₱ 15,000,000.00	On or before December 31, 2008
₱ 20,000,000.00	On or before December 31, 2009
₱ 25,000,000.00	On or before December 31, 2010

V. The requirements in Paragraphs I, II, III, and IV are without prejudice to other requirements to be imposed under any risk-based capital method that may be adopted by the Insurance Commission.

The Insurance Commission may issue such other guidelines as it deems necessary to enforce the provisions of this Circular.

This supersedes inconsistent provisions of Circular Letter No. 1-2004.

This Circular shall take effect on May 15, 2006.

(SGD.) EVANGELINE CRISOSTOMO-ESCOBILLO
Commissioner

Approved:

(SGD.) MARGARITO B. TEVES
Secretary
Department of Finance