

Circular Letter No.	: <u>27-2006</u>
Date	: <u>6/28/06</u>
Superseding	: <u>12-2005</u>

CIRCULAR LETTER

TO : All Non-Life Insurance Companies Authorized to do Business in the Philippines and Their Intermediaries

SUBJECT : Circular Letter No. 24/94 (December 12, 1994) and Circular Letter No. 12-2005 (April 12, 2005)

For the purpose of determining compliance with the margin of solvency requirement of non-life insurance companies in addition to the assets enumerated in Section 196 of the Insurance Code, this Commission considers as admitted assets, premiums due from the following:

1. The Government of the Philippines, its political sub-divisions or instrumentalities, including government-owned or controlled corporations, whether as insured, general agent, insurance broker, mortgagee or trustee, provided that in case any of said entities assume the role of a trustee, the insurance company concerned shall present proof that such premiums are held by such entity as trustee of the said company.
2. Marine Hull Premiums covered by Deferred Premiums Clause "E" attached to the policy and payable in four quarterly installments provided that the installments to be considered as admitted assets are only the installments due within 90 days as of cut-off date. Premium installments over 90 days due that were paid after the cut off date, on the other hand, can be considered as after date transaction provided that these installments are paid and supported by a schedule showing details per policy and copies of policies, validated deposit slip, with Certificate of Authority to Confirm the said deposits with the banks and other pertinent documents which shall be made available to the examiners for verification.
3. Premiums Receivable Account (direct agents, general agents and insurance brokers) covering policies within 90 days from inception as of the cut off date provided the following requirements are complied with:
 - a. The receivables are properly supported by an aging schedule showing details per policy and copies of policies.
 - b. The maximum amount of premiums receivables to be considered shall not exceed 25% of the premium volume net of commissions.
 - c. Premiums due from direct agents, general agents or insurance brokers, not exceeding 90 days, shall be backed up by a surety bond issued by an insurance company duly authorized to do business in the Philippines. The direct agent or general agents or insurance brokers shall file with this Commission and maintain in

force a surety bond in favor of the people of the Republic of the Philippines executed by a company authorized to become surety upon official recognizances, stipulations, bonds, and undertakings, in an amount equivalent to at least 25% of the direct agent's, general agent's or broker's premium volume net of commissions for the proceeding calendar year or ₱1,500,000.00, whichever is higher, conditioned upon full accounting.

- d. Said surety bond shall be submitted to this Commission together with a sworn certification executed by the direct agent or general agent or insurance broker, or their president or executive vice-president, in the case of corporations, stating the amount of his /its total annual premium volume from all sources for the previous calendar year, and that the amount of the bond is equal to at least 25% of the premium volume net of commissions or ₱ 1,500,000.00, whichever is higher.
- e. Agent, general agents and insurance brokers are enjoined to submit their remittances simultaneous with the submission of their production reports to the insurance company concerned in its head office in the Philippines within the terms and conditions set forth in their agreement.
- f. Other pertinent documents are made available to the examiners for verification, otherwise, unverified accounts will be disallowed.

As for Premiums Receivable Accounts covering policies beyond ninety (90) days from inception which are outstanding at the end of a given calendar year and collected the following year/s the same shall be considered as after-date transactions, subject to the following conditions:

- a. Schedule of Premiums Receivable, with the full details of the insurance policies over ninety (90) days due must be submitted simultaneously with, and during the submission period for, the Annual Statement.
- b. Collections should be duly supported by official receipts and validated deposit slips together with the Certificate of Authority to Confirm the said deposits with the banks.
- c. Additional pertinent documents deemed necessary or required by this Commission must likewise be submitted.

This Circular Letter takes effect immediately.

(SGD.) EVANGELINE CRISOSTOMO-ESCOBILLO
Insurance Commissioner

cc: HON. MARGARITO B. TEVES
Secretary
Department of Finance