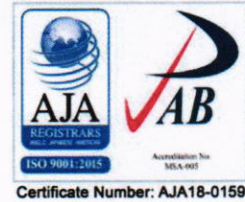




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
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IC ISSUES CIRCULAR FOR INSURANCE FIRMS' INFRA INVESTMENT

Insurance Commissioner Dennis B. Funa recently issued a circular allowing insurance companies to invest in infrastructure-related projects of the government.

Under Circular Letter No. 2018-74, insurance and reinsurance firms may now invest in debt or equity security instruments for infrastructure projects under the Philippine Development Plan (PDP) through any of the following participations— as a project proponent, or financiers/ sponsors, or operation and maintenance contract.

According to Commissioner Funa, the new circular creates a new investment channel for insurers and opens new opportunities for insurers to improve risk-adjusted returns, portfolio diversification and asset-liability matching.

“This circular is aimed at encouraging insurers to invest in domestic infrastructure projects to boost our economy and to reap the benefits of portfolio diversification and higher return,” said Commissioner Funa.

“With the administration’s Build, Build, Build Program in full swing, insurers can take advantage of investing their assets in infrastructure projects to aid them in improving their revenue that would address their compliance with the statutory net worth requirements under the Insurance Code,” he added.

For purposes of determining the net worth of an insurance and reinsurance company, investments in infrastructure projects duly approved by the Commission shall now be considered as admitted assets.

One of the important features of the new regulation is methodology in calculating the risk factors of the investments in infrastructure to encourage insurer investment while still safeguarding their financial stability.

Before an investment in infrastructure is approved by the insurance regulator, insurers are required to submit the financial statements of the infrastructure projects which will be evaluated by the regulator to determine the risk impact on the capital of the insurer.

“Lack of sufficient funding for infrastructure presents an opportunity for investors with long-term horizon, such as insurance companies, that are positioned to provide capital or funding for infrastructure projects. Taking into consideration the need for insurers to increase their net worth and the clamor for alternative investment channels, we see that the insurance industry can provide for provision for stable and adequate financing to close the infrastructure funding gap,” said Commissioner Funa.

The following activities which may be undertaken as provided under the PDP includes highways, railways, non-rail-based transit facilities, port infrastructure, airports, warehouses, environmental and solid waste management related facilities and climate change mitigation and adaptation infrastructure projects.

Based on earlier reports, a total of P909.7 billion out of the proposed P3.757 trillion national budget for 2019 will be allotted for the construction of the flagship projects under the “Build, Build, Build” Program of the government.


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